

# NAVAL POSTGRADUATE SCHOOL MONTEREY, CALIFORNIA



## THESIS

**DEPARTMENT OF DEFENSE MILITARY  
ALLOWANCES ENTITLEMENT: A CRITICAL  
REVIEW OF THE DETERMINATION  
PROCESSES FOR HOUSING ALLOWANCES**

by

Roger Craig Walker

December, 1995

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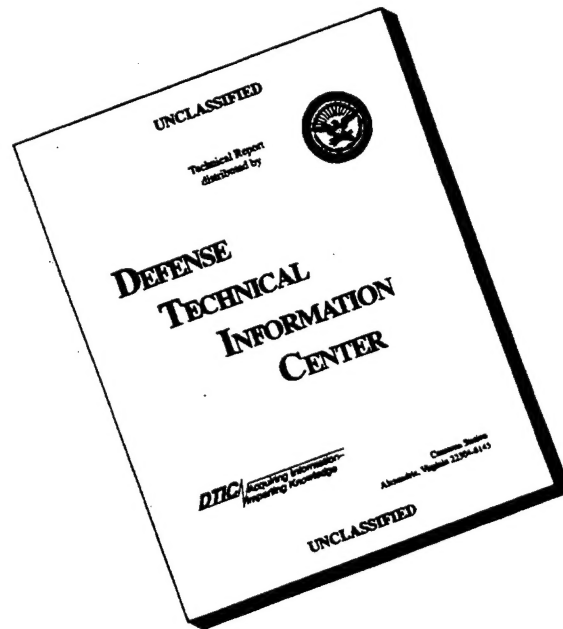
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A CRITICAL REVIEW OF THE DETERMINATION PROCESSES FOR  
HOUSING ALLOWANCES**

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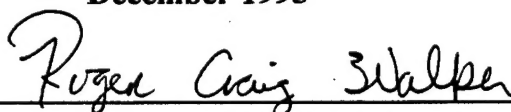
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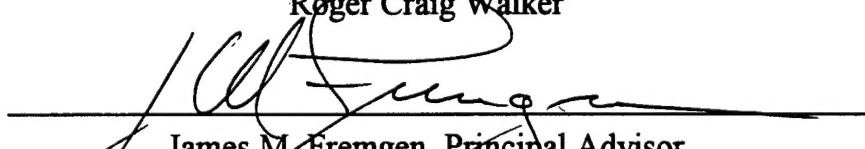
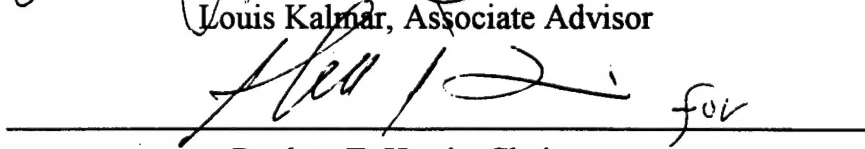
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## **ABSTRACT**

This thesis addresses the multifaceted and potentially confusing process that DoD financial managers use when determining a service member's entitlement to one or more of three specific types of housing allowances - Basic Allowance for Quarters (BAQ), Variable Housing Allowance (VHA), and Overseas Housing Allowance (OHA). It has two objectives. The first is to simplify the determination process by consolidating rules that always lead to the same entitlement, without changing the amount to which any member is entitled. This objective is achieved by reducing the number of specific rules by nearly 70 percent through consolidation, with no changes in costs to the government or benefits to members. The second objective is to investigate the feasibility of combining the three types of allowances into a single entitlement based only on the member's status as single, married, or divorced or separated. Such a combination, with no change in the amounts to which any member is entitled, would not simplify the process in any significant way. Combinations of allowances that would simplify the process would necessarily increase amounts paid to some members and decrease amounts paid to others - in some cases, very substantially. The net cost to the government might increase or decrease, depending on the particular combined amounts chosen.



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## **I. INTRODUCTION**

Department of Defense (DoD) financial managers determine service members' entitlement to a Basic Allowance for Quarters (BAQ) through their interpretation of one or more of the 74 rules that are applicable to this process. In determining service members' entitlement to a specific type of housing allowance, the 74 rules for BAQ apply in conjunction with 38 more rules for the Variable Housing Allowance (VHA) and 17 more rules for the Overseas Housing Allowance (OHA). Furthermore, the military services within the DoD use separate rules to determine entitlement to BAQ, OHA, and VHA for their members. The Army and Air Force share one set of rules, while the Navy and Marine Corps share another.

The financial managers tasked with the responsibility for this interpretation have various levels of education and experience. While all may have the correct intentions and play by the same conditional rules for the uniformed services, the results vary widely because the determination processes are multi-faceted and confusing. Also, the processes are labor intensive and time consuming for financial management personnel.

Financial managers need easier and simplified processes for determining service members' entitlement to BAQ, OHA, and VHA. This thesis attempts to provide speedier and less cumbersome processes for determining entitlement to BAQ, OHA, and VHA. It seeks to streamline the entitlement requirements determination processes through consolidation based on the calculated amounts that would be payable to military members for each allowance resulting from the processes. Also, an effort is made to simplify the military members' BAQ, OHA, and VHA into one entitlement based only on the members' status category of either single, married, and divorced or separated.

## **A. FINANCIAL MANAGEMENT POLICY**

The impetus for financial management within the DoD is the DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures" [Ref. 1]. Its sphere of influence includes all military departments and Defense Agencies as well as field activities. The financial management policy of the DoD is clearly communicated in this instruction. The policy promulgates the use of one organizational-wide regulation for all areas of financial management within the DoD. The specific financial management areas governed by the policy are accounting, budgeting, education/training, and finance.

Additionally, this instruction delegates the responsibilities within the DoD for its Financial Management Policy. It is the duty of the DoD Comptroller to develop, administer, and maintain the organizational-wide regulation for financial management. The DoD Comptroller is also required to monitor compliance, for which it has exception granting authority.

The financial management policy set forth in DoD Instruction 7000.14 establishes DoD Instruction 7000.14-R, "DoD Financial Management Regulation (DoDFMR)" [Ref. 2]. This instruction satisfies the single source organizational-wide Financial Management Regulation (FMR) requirement. As before, the applicability of this Instruction is to all military departments and Defense Agencies as well as field activities. The directors, heads, and secretaries of all DoD components are responsible for implementation of and compliance with the organizational-wide FMR as well as recommendation of changes to it.

The FMR published in DoD Instruction 7000.14-R specifically addresses the practices, principles, procedures, reporting, requirements, standards, and systems that all DoD components must use in their daily conduct of business to comply with the statutory and

regulatory requirements for financial management within the DoD. Thus, its fifteen volumes are the governing rules that establish and provide for enforcement of DoD financial management policy at all operational levels. Volume 7, "Military Pay, Policy, and Procedures", of this regulation is one basis for this thesis. Specifically, Volume 7, Part A, "DoD Military Pay and Allowances Entitlements Manual", is critically reviewed as it pertains to the regulation for determining payment of BAQ.

Also, the FMR published in the three volumes of The Joint Federal Travel Regulations (JFTR) [Ref. 3] contain basic statutory regulations concerning the travel and transportation allowances for the DoD. Volume 1 contains the governing rules applicable to all members of the Uniformed Services. Thus, Volume 1 is another basis for this thesis. Specifically, Volume 1, Chapter 8, "VHA in the United States", and Chapter 9, "Station Allowances", are critically reviewed as they pertain to the regulation for determining payment of VHA and OHA.

## **B. DEFINITIONS**

This thesis encompasses a wide spectrum of DoD and military unique financial and nonfinancial terms. In most cases, understanding the terminology used is just as taxing as comprehending the subject matter. Therefore, the following terms, used throughout this thesis, are defined for the purpose of easing understanding.

Absent Without Leave - when service members, without the intent to desert, are absent from a place of duty without authorization or permission



Active Duty - a service member on full-time duty in the active service of the Armed Forces; this includes annual and full-time training duty as well as attendance at a designated service school

Advanced Leave - leave granted to a service member that is in advance of that which has accrued

Allowance - a cash payment provided to a service member instead of providing the service member with or assigned to government quarters, messing, or the like

Basic Allowance for Quarters (BAQ) - a cash allowance provided to military members who are not provided with government quarters (housing)

Basic Pay - the primary means of compensating military members for services rendered; military members are entitled to basic pay while on active duty; basic pay is paid to military members on a regular basis at a rate determined by their rank and length of service

Civilian - a person who is not serving in the Armed Forces

Command Sponsored Dependents - dependents residing with service members at duty stations outside the continental United States where the dependents are to accompany the member and the dependents and member are entitled to station allowances and privileges

Continental United States (CONUS) - the 48 contiguous states and the District of Columbia

Dependent (DEPN) - the spouse, unmarried child under 21 years of age (including adopted child; stepchild if service member is not divorced from stepchild's natural parent; incapacitated

child if service member provides more than 50 percent of that child's support; illegitimate child if service member's established parentage is by court order or birth certificate or signed statement of parentage; government placed child if service member establishes effective date and fact of relationship through documents from the government agency; college student child under 23 years of age if enrolled full-time at an approved educational institution and if service member provides more than 50 percent of that child's support and proves such through income and expense statements), or a parent or parent-in-law (including step and adoptive) of a service member whose dependency on the service member has been established by an Armed Forces Secretary or one in loco parentis if he or she acted in that capacity for a continuous five year period prior to service member's twenty-first birthday

Duty Station - the place where service members are assigned to perform regular duties or assigned duties

Enlisted Member - a service member who is conscripted or enlisted into military service in the uniformed services

Entitlement - a service member's legal right to receive military pay and allowances

Erroneous Payment - a payment to a service member for military pay and allowances that the service member has no legal right to receive

Excess Leave - leave granted to a service member that is in excess of the leave which has accrued or been advanced

Family Separation Allowance (FSA) - an allowance paid to service members with legal dependents serving a tour of duty which does not permit command sponsored dependents or

when a member performs temporary duty away from a permanent duty station where dependents are authorized

Field Duty - field exercises and training that requires subsistence in a government mess and living in government provided accommodations; includes survival training for service member students and government contracted subsistence and quarters when designated by an Armed Forces service official

Financial Management - the management of the acquisition, utilization, and accounting for financial resources for the uniformed services; this includes planning, measuring, and expending financial resources to maximize efficiency or effectiveness

Financial Management Officer - an Armed Forces officer who is responsible and held accountable for public funds; this encompasses collection and disbursement and includes basic pay and allowances

Government Messing - any form of meals the government makes available to or are consumed by service members; includes government provided meals where officers pay a surcharge

Government Quarters - any sleeping accommodations or family-type (FT) and single-type (ST) housing that are owned, leased, or contracted by the U. S. Government; includes transient facilities and quarters provided by foreign governments at the request of the U. S. Government and quarters at state owned National Guard camps; the quarters provided must be adequate for the rank of the military members and the number of dependents

Lost Time - a time period not included in determining the cumulative years of service for service members

Member with Dependents - a service member who is entitled to allowances at the with-dependents rate and/or authorized to have dependents at a permanent duty station outside the CONUS

Member without Dependents - a service member who is entitled to allowances at the without-dependents rate and/or is not authorized command sponsored dependents at a permanent duty station outside the CONUS

Non Command Sponsored Dependents - dependents residing with a service member who is on duty at a location outside the CONUS although they were not authorized to accompany the member and, as such, are not entitled to housing or other station privileges

Officer Member - a service member in the Armed Forces who has either a commission or warrant for service

Overseas Housing Allowance (OHA) - a cash allowance provided to military members assigned to permanent duty outside the CONUS who are not provided with or assigned to government quarters

Overpayment - when a service member is paid more than that which he or she has a legal right to be paid

Permanent Change of Station (PCS) - the transfer of a service member through the issue of competent orders from an old permanent duty station to a new permanent duty station

Permanent Duty Station (PDS) - the official place where a service member performs regular duties on a permanent basis

Physical Evaluation Board (PEB) - a board conducted to determine the medical/mental condition of a service member

Rental Ceiling - the maximum amount of money the Armed Forces will authorize for payment to service members for rent in a particular location or housing area

Residence - any type of housing where the service members and/or their dependents actually live

Separation - when service members are either discharged or released from active duty, retire from active duty, or die while on active duty

Sharer - individuals who share payment of ownership or rental expenses for housing; a member's dependents are not considered sharers, but members entitled to OHA and VHA are so considered; federal civilian employees are considered for OHA purposes

Unaccompanied Tour - any part of a service member's duty tour at a PDS located outside CONUS when the member's dependents establish a permanent residence inside CONUS or when an established tour of duty does not permit command sponsored dependents

Uniformed Services - the United States Air Force, Army, Marine Corps , Navy, Coast Guard, Public Health Service, and Environmental Science Services Administration

United States (USA) - the 48 contiguous states and the District of Columbia plus Alaska and Hawaii

Variable Housing Allowance (VHA) - a cash allowance provided to military members who are receiving BAQ and are not assigned and do not occupy government quarters; VHA is designed to lessen the impact of higher lodging cost incurred by service members and/or their dependents when they reside in any of the geographical locations designated as high cost areas

Vicinity - an overseas country, possession, state, city, or territory in which a service member's PDS is located



## **II. BASIC ALLOWANCE FOR QUARTERS**

BAQ is an entitlement paid to service members on active duty who are not provided and assigned adequate government quarters, be the quarters single type (ST) or family type (FT). The Commanding Officer (or designated representative) of the Base, Installation, Post, or Station makes both the assignment and termination of government quarters. The Commanding Officer also determines when government quarters are adequate or not adequate for assignment to service members.

The amount paid to service members is determined by the current pay grade in which they are serving. The rate for each pay grade is published by the DoD for distribution to its components. The published rates are updated to reflect both decreases and increases as they may occur. Also, the amount paid to service members is based on their status with or without dependents. Service members with dependents are paid an amount greater than those without dependents.

DoD financial managers determine what amount of BAQ a service member will receive. They are guided in this endeavor by Volume 7, Part A, of the DoD Instruction 7000.14-R, "DoD Military Pay and Allowances Entitlements Manual", [Ref. 2]. Part Three of this manual governs allowances paid to service members. Chapter Two in Part Three specifically covers BAQ.

Chapter Two is a myriad of regulations, requirements, and rules. It is the foundation from which the financial management officer will determine what amount of BAQ to pay the service members. Here is where a critical review of the determination process for BAQ will be conducted. All service members can be placed into three categories: single, married, and divorced or separated. Therefore, these categories are the parameters for this critical review.



## **A. SINGLE**

Service members are categorized as single if they have never been married and have no dependents. Single service members are entitled to receive BAQ at the without-dependents rate (BAQ-WO) for the particular pay grade in which they are serving. As of 1995, the BAQ-WO rates by pay grade are listed in Table 2.1 [Ref. 2].

The flow charts (Figures 2.1 through 2.16) that follow detail the rules applicable in determining payment of BAQ-WO to single service members.

Basic Allowance For Quarters  
Without Dependents  
1995

<u>PAY GRADE</u>	<u>RATE</u>
O - 10	749.40
O - 9	749.40
O - 8	749.40
O - 7	749.40
O - 6	687.60
O - 5	662.10
O - 4	613.80
O - 3	492.00
O - 2	390.00
O - 1	328.50
 O - 3E	 531.00
O - 2E	451.50
O - 1E	388.20
 W - 5	 623.40
W - 4	533.80
W - 3	465.30
W - 2	413.10
W - 1	345.90
 E - 9	 454.80
E - 8	417.60
E - 7	356.40
E - 6	322.80
E - 5	297.60
E - 4	258.90
E - 3	254.10
E - 2	206.40
E - 1	183.90

Table 2.1.

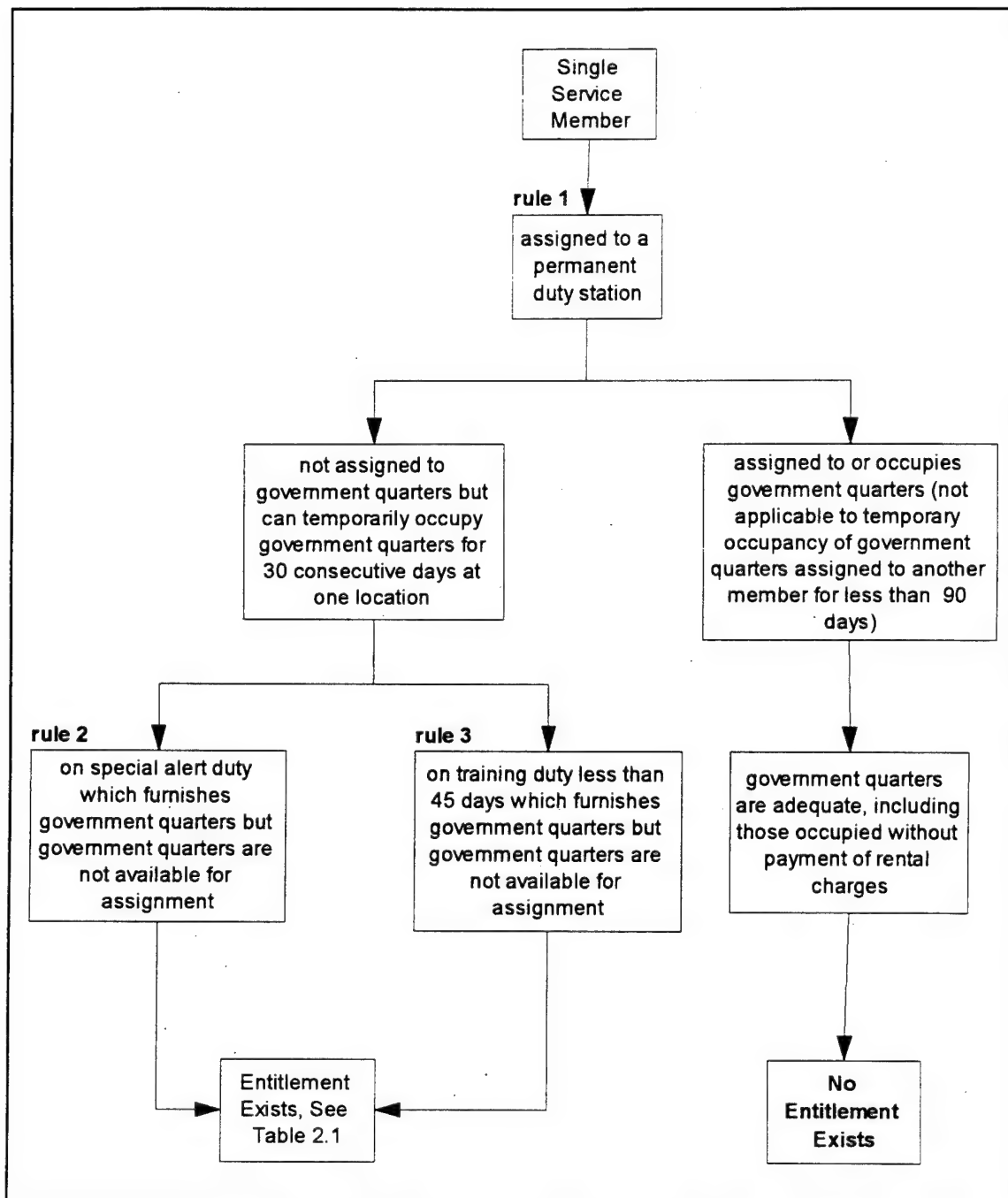


Figure 2.1. BAQ Single. After Ref. [2].

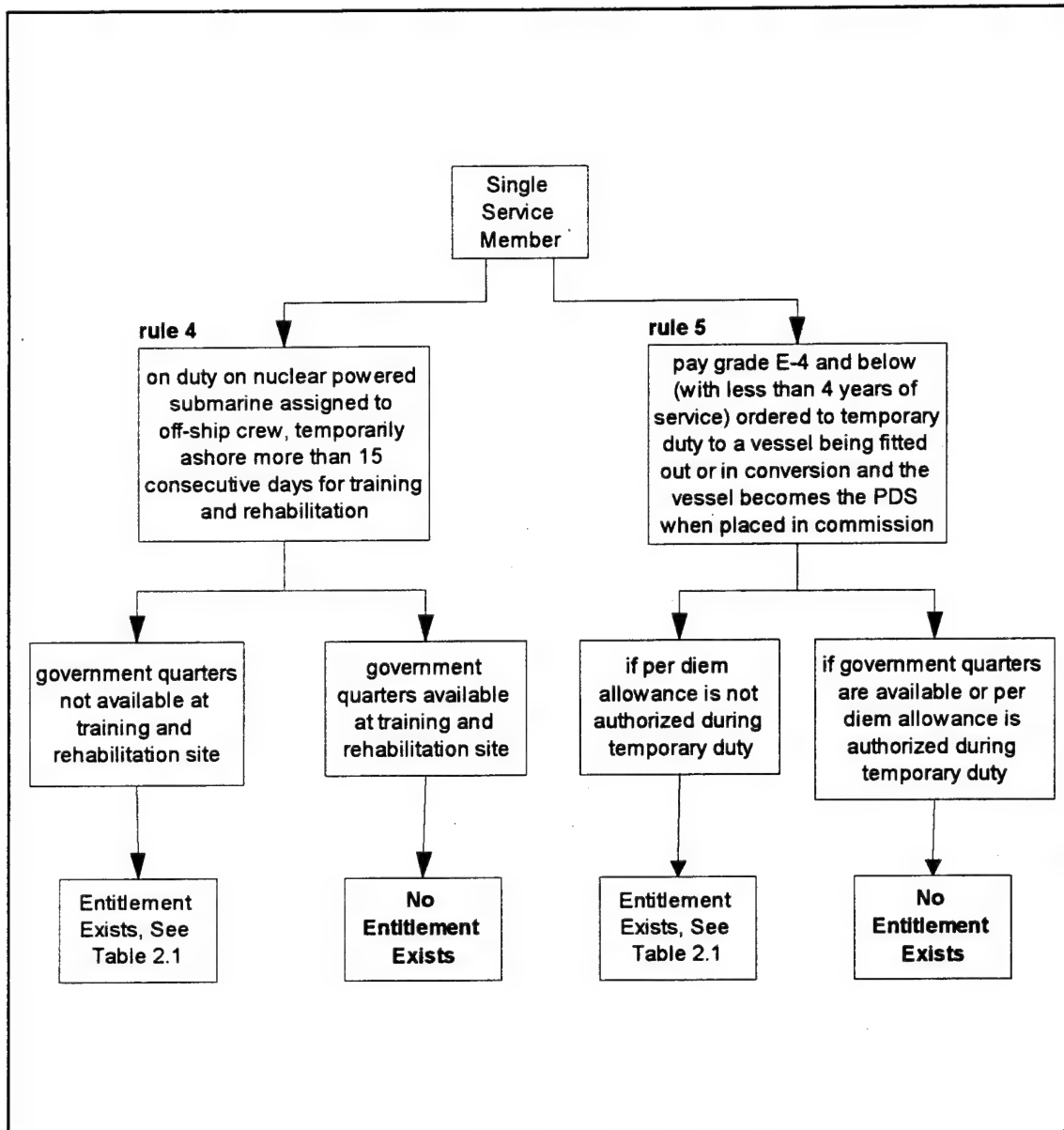


Figure 2.2. BAQ Single. After Ref. [2].

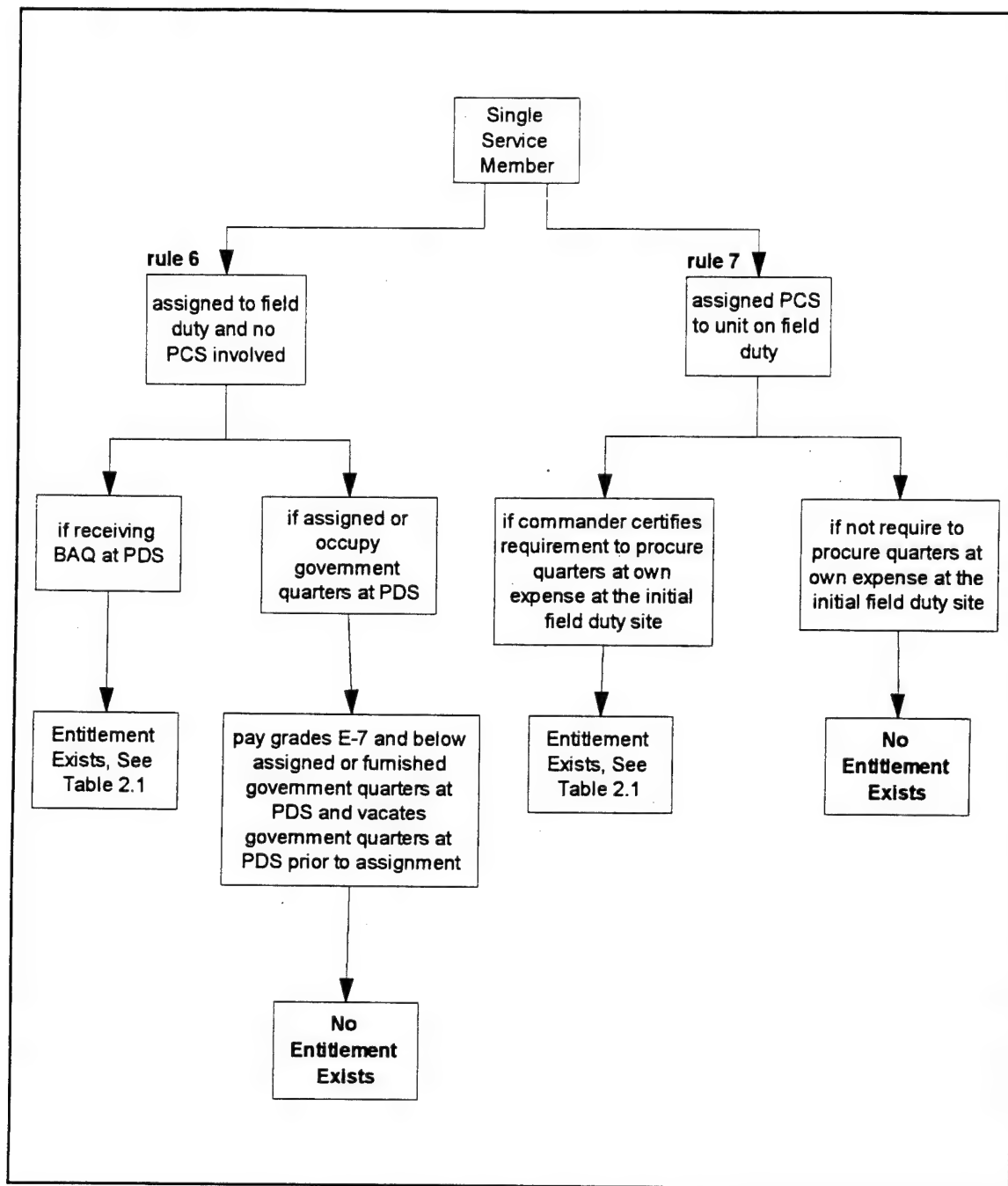


Figure 2.3. BAQ Single. After Ref. [2].

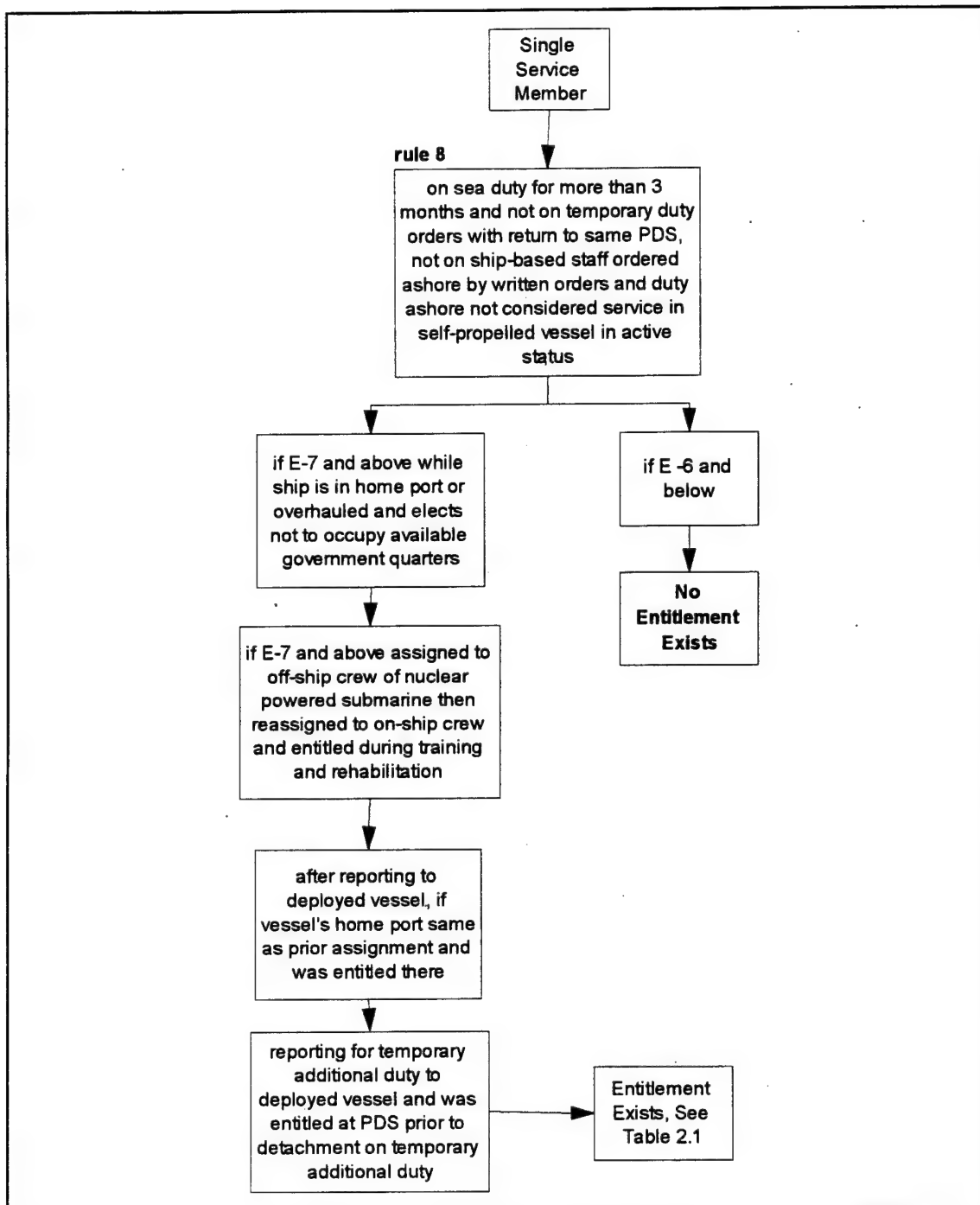


Figure 2.4. BAQ Single. After Ref. [2].

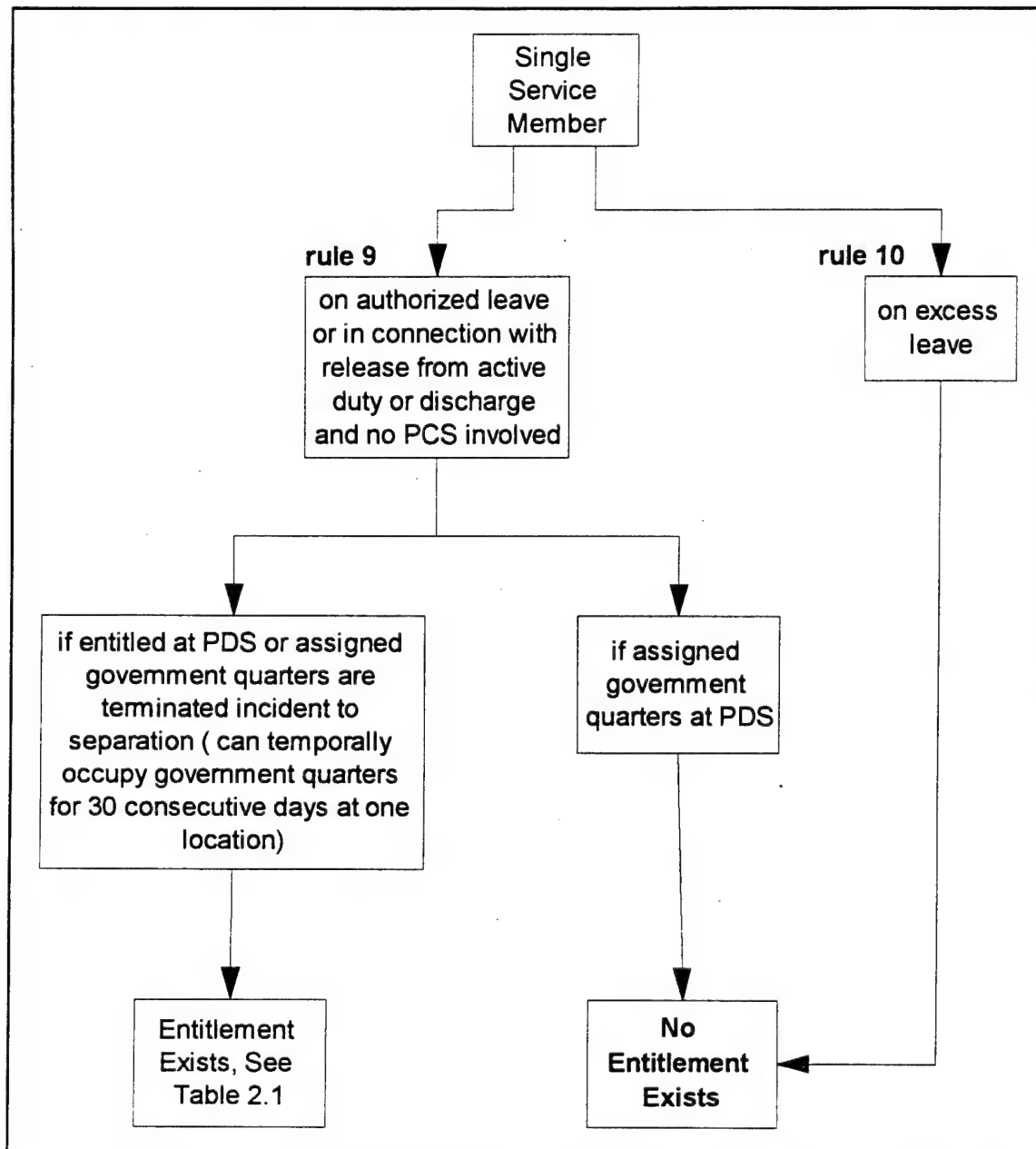


Figure 2.5. BAQ Single. After Ref. [2].

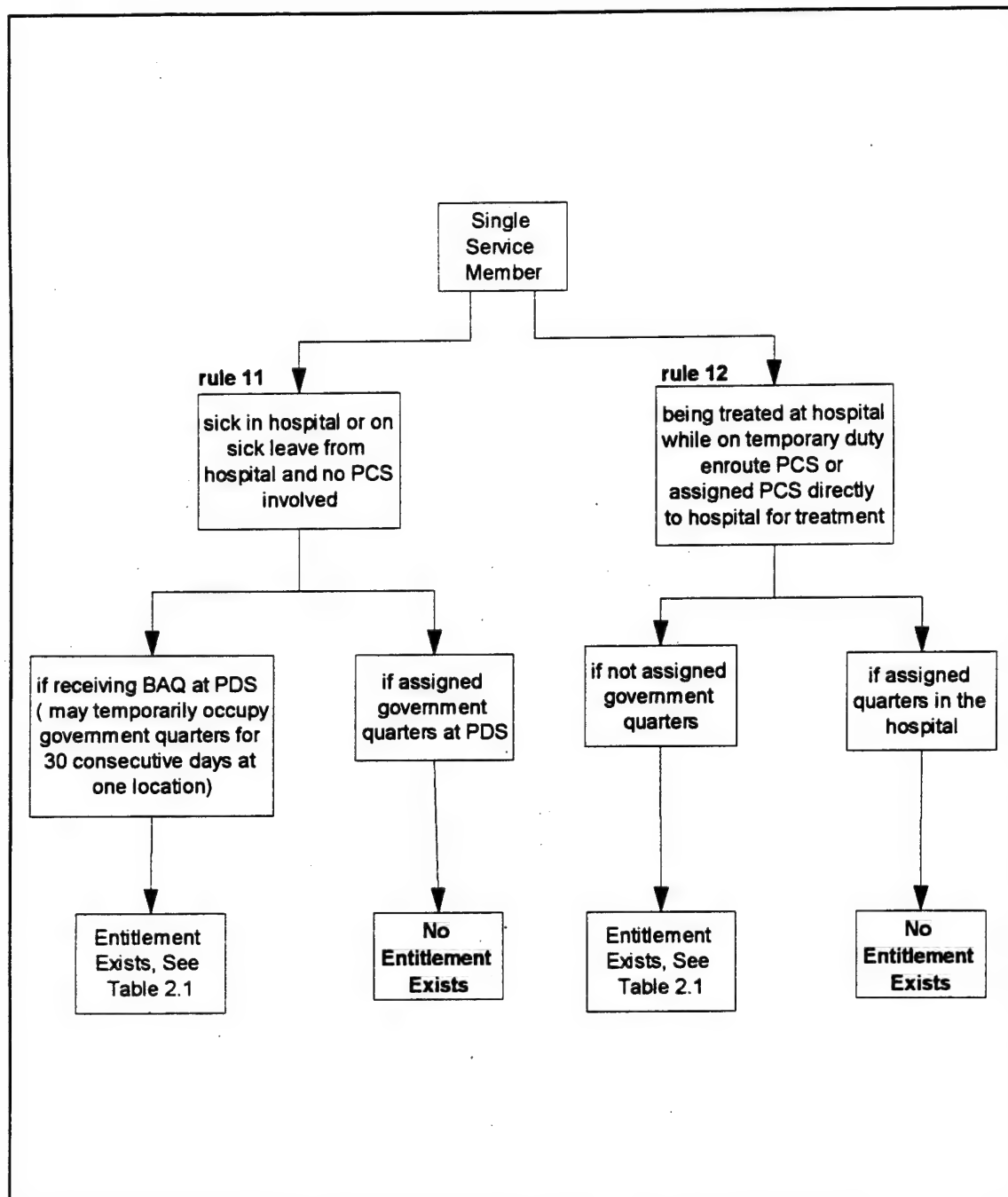


Figure 2.6. BAQ Single. After Ref. [2].



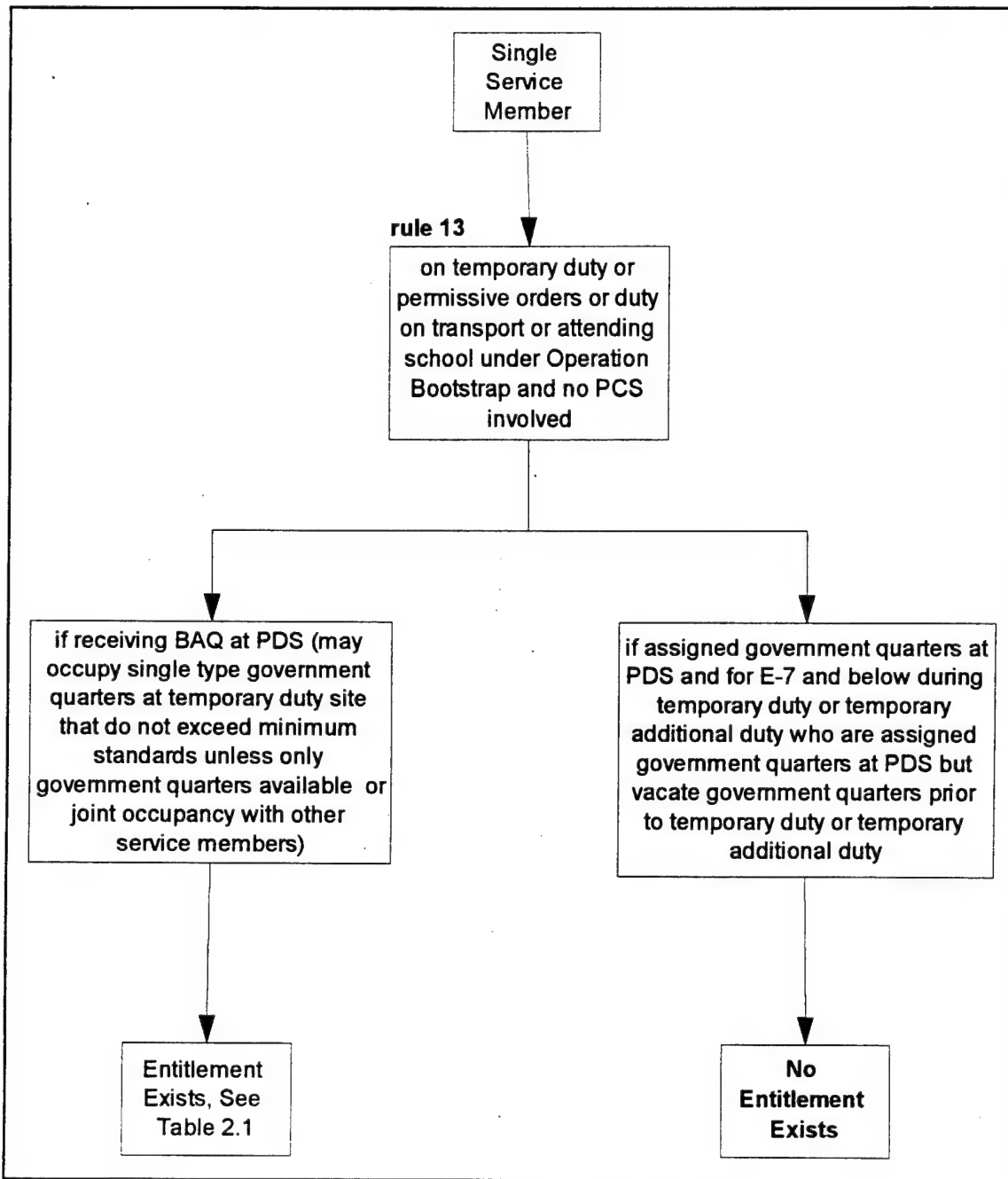


Figure 2.7. BAQ Single. After Ref. [2].

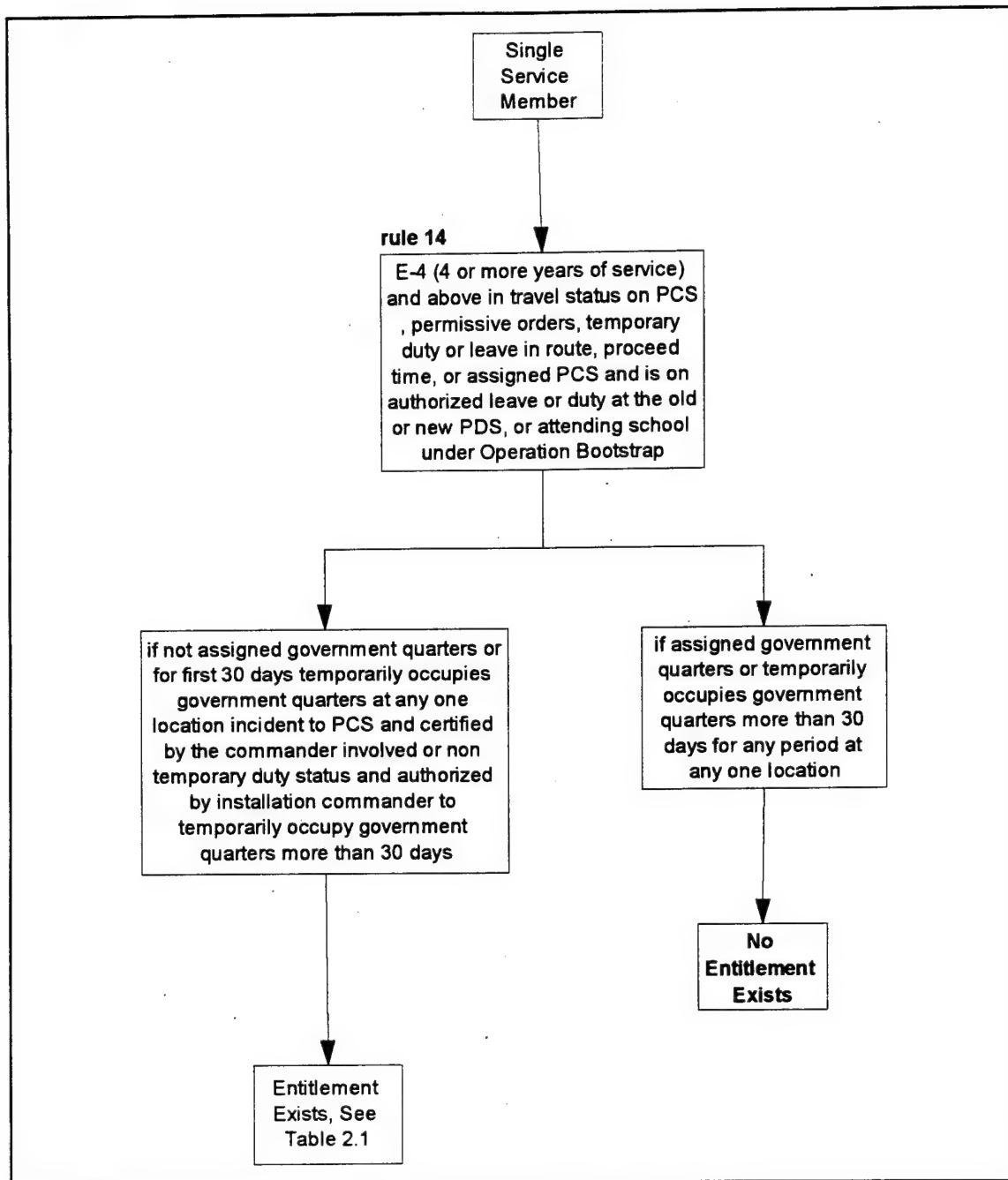


Figure 2.8. BAQ Single. After Ref. [2].

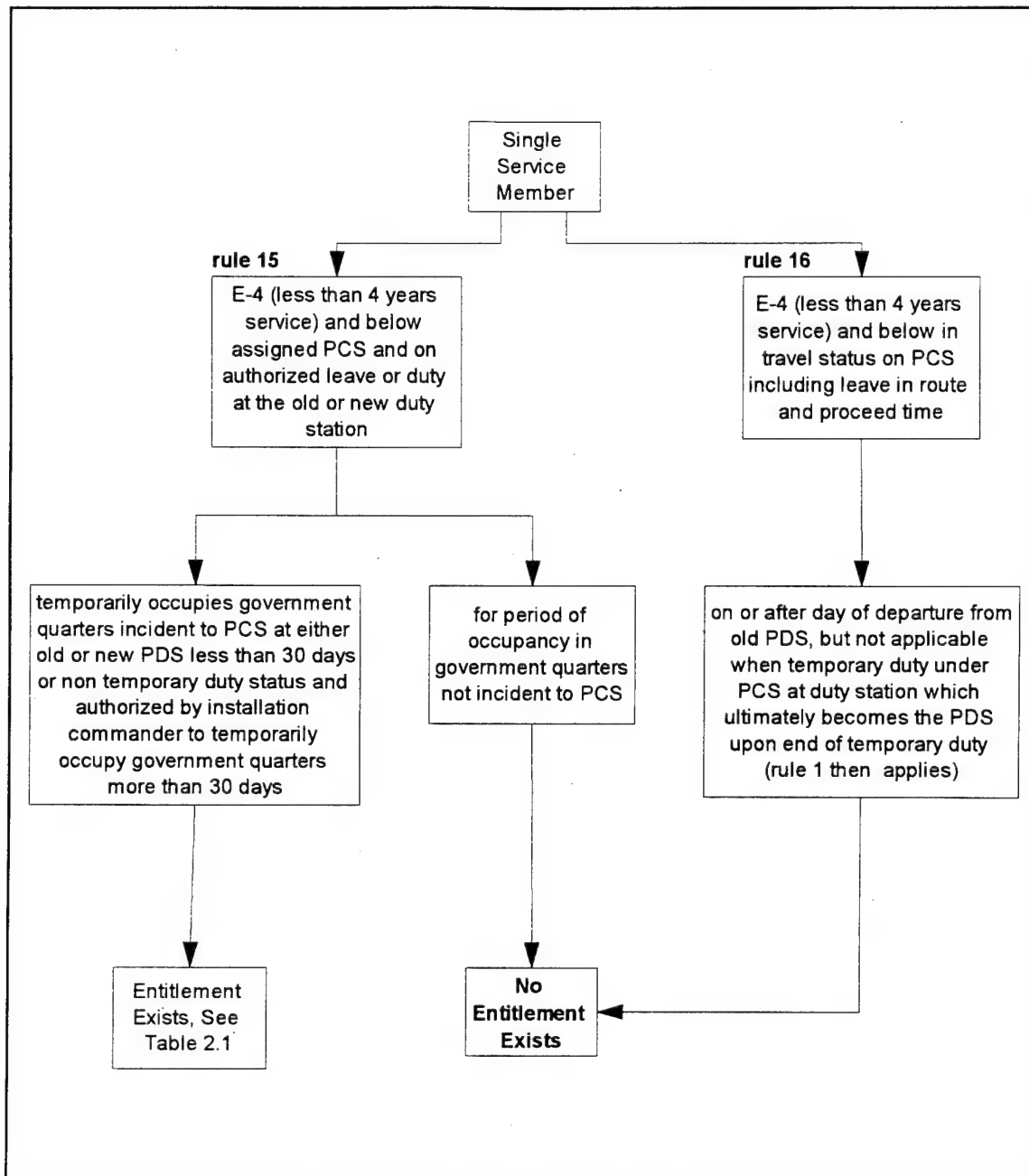


Figure 2.9. BAQ Single. After Ref. [2].

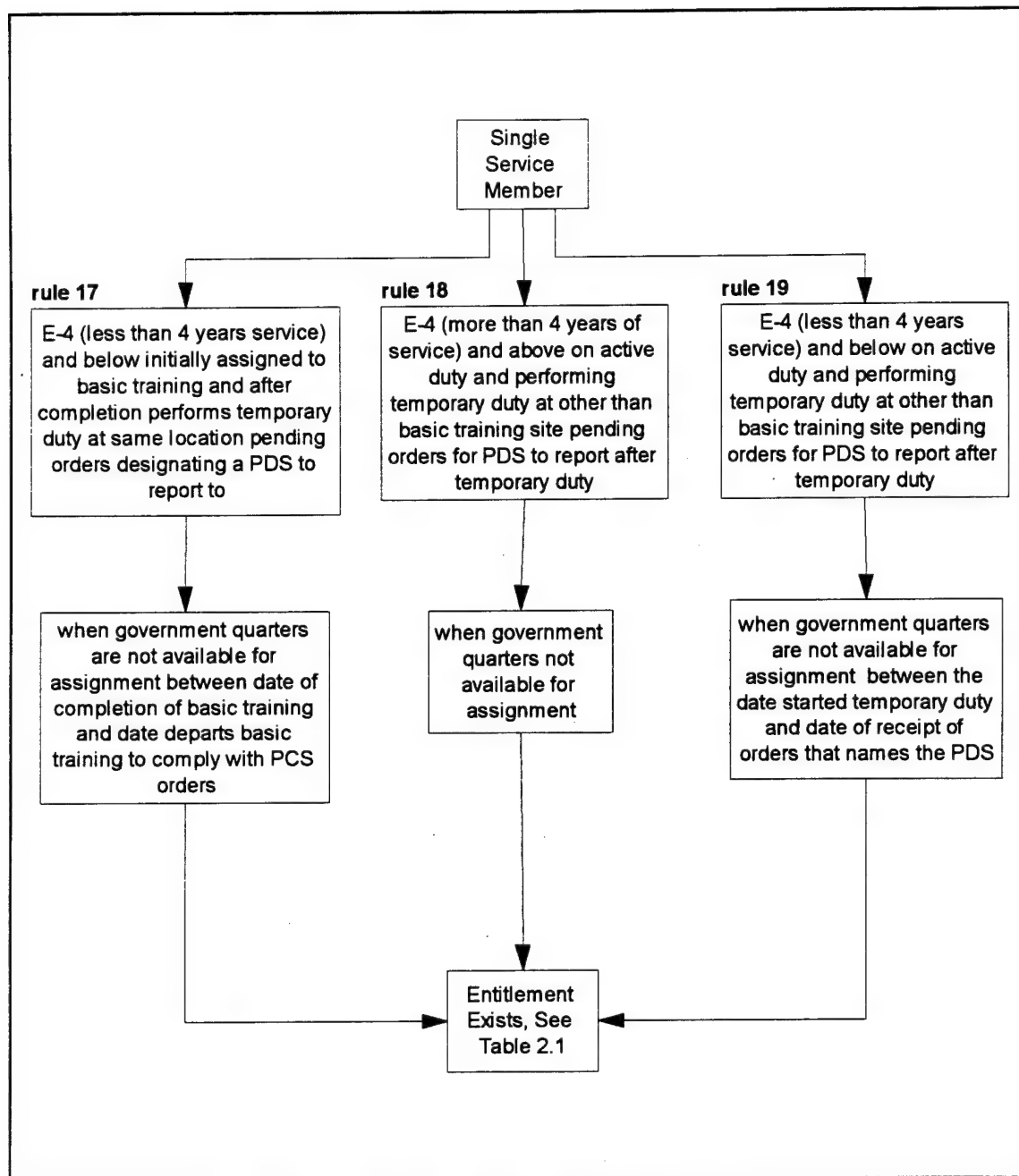


Figure 2.10. BAQ Single. After Ref. [2].

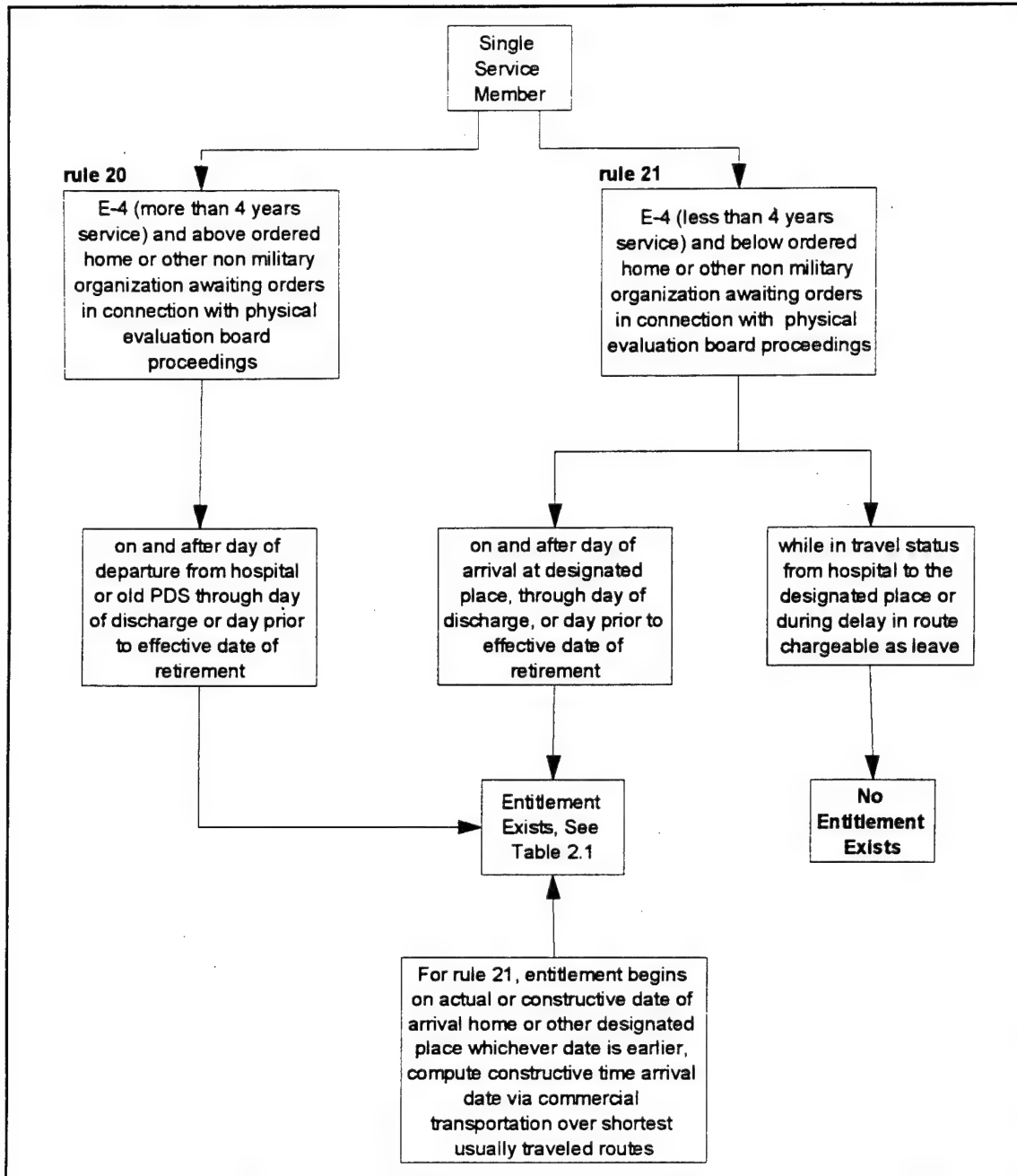


Figure 2.11. BAQ Single. After Ref. [2].

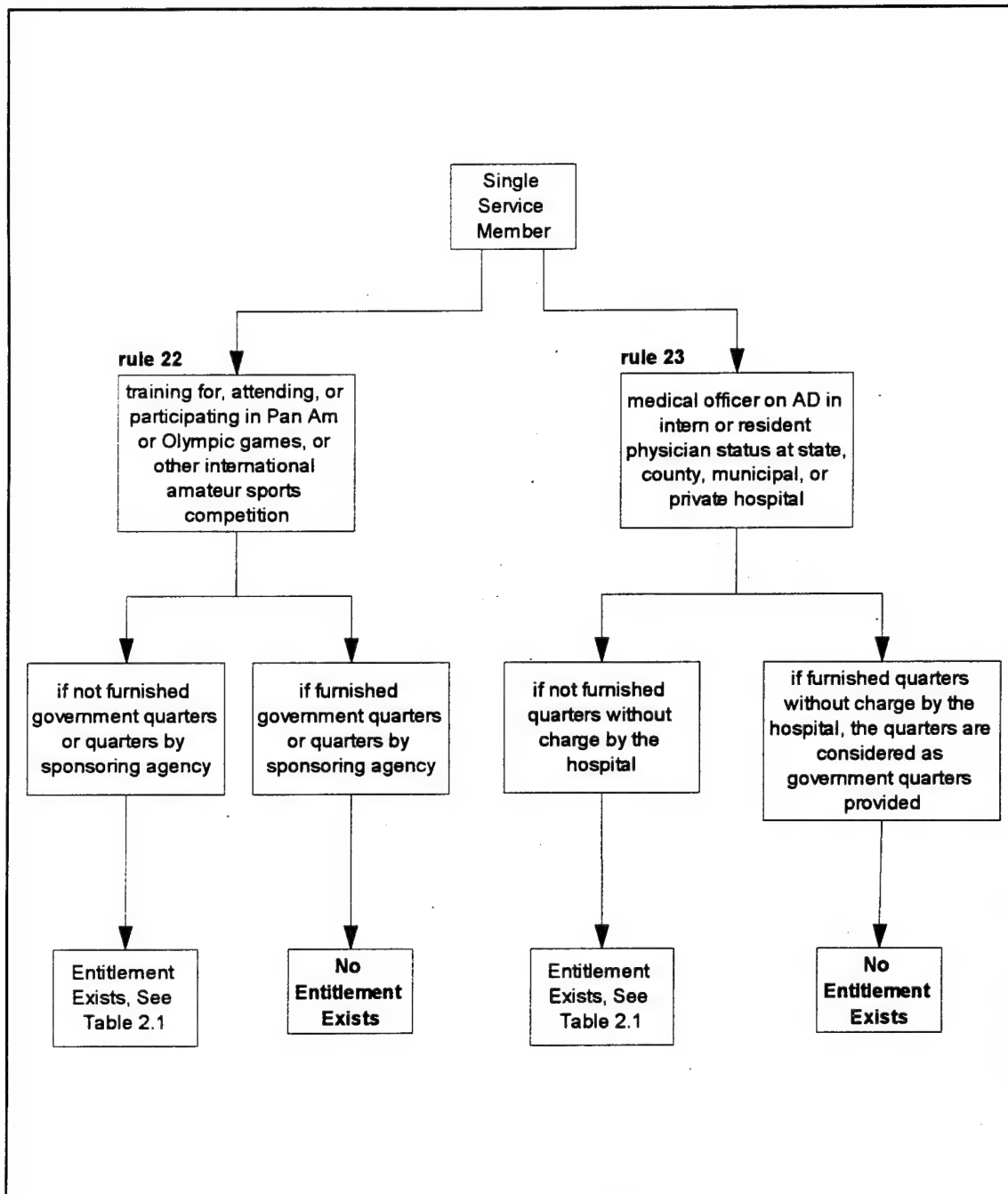


Figure 2.12. BAQ Single. After Ref. [2].

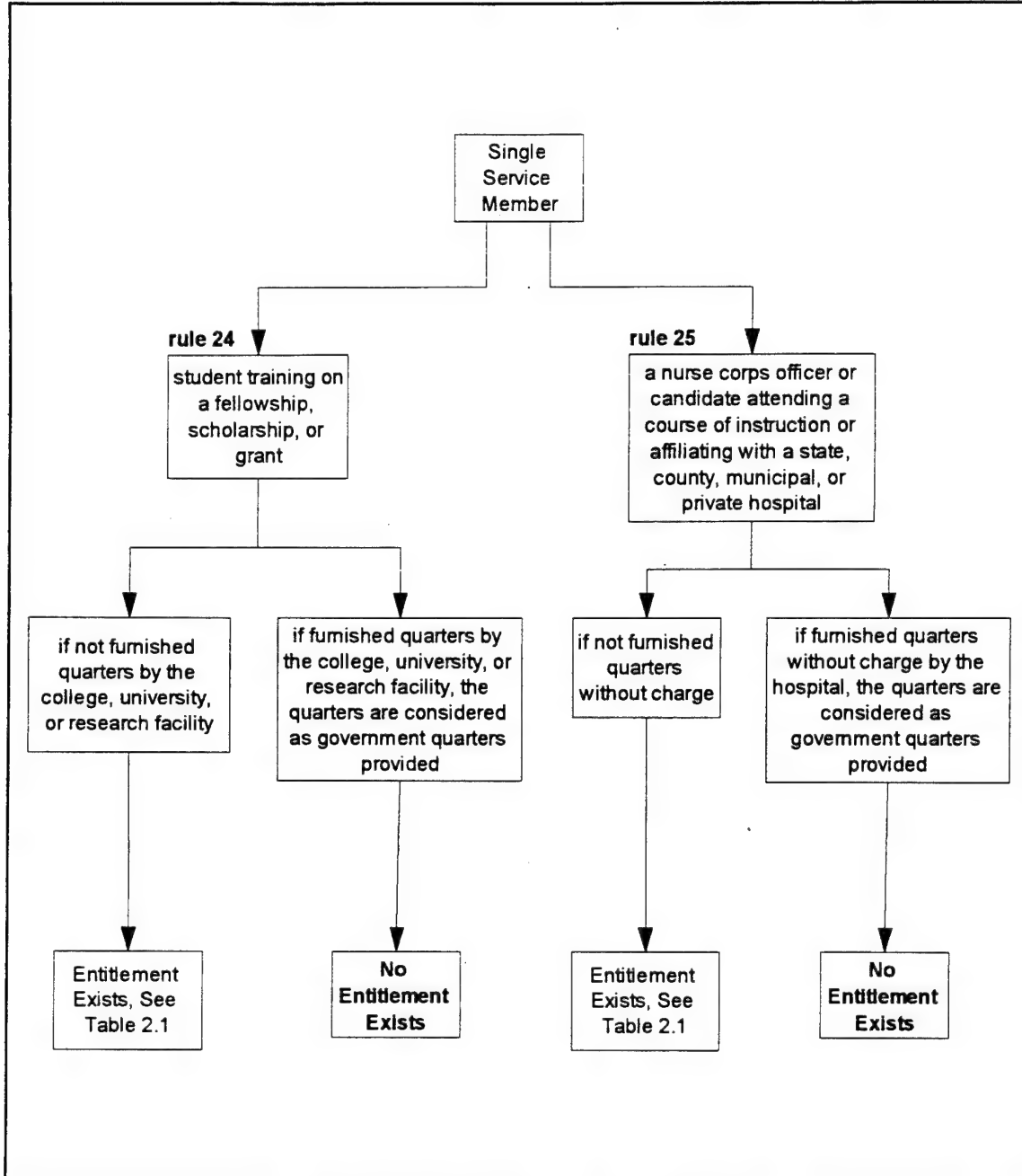


Figure 2.13. BAQ Single. After Ref. [2].

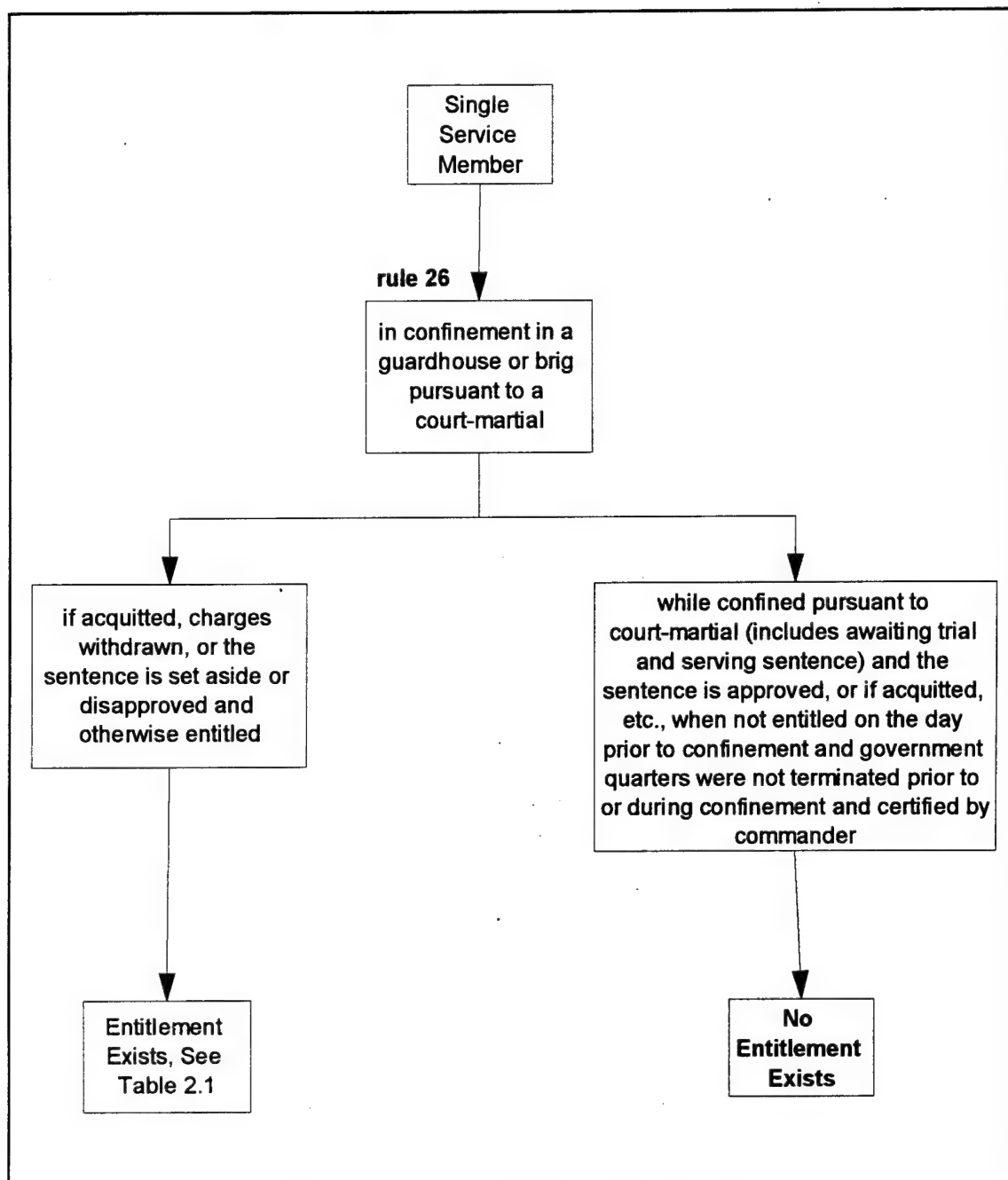


Figure 2.14. BAQ Single. After Ref. [2].



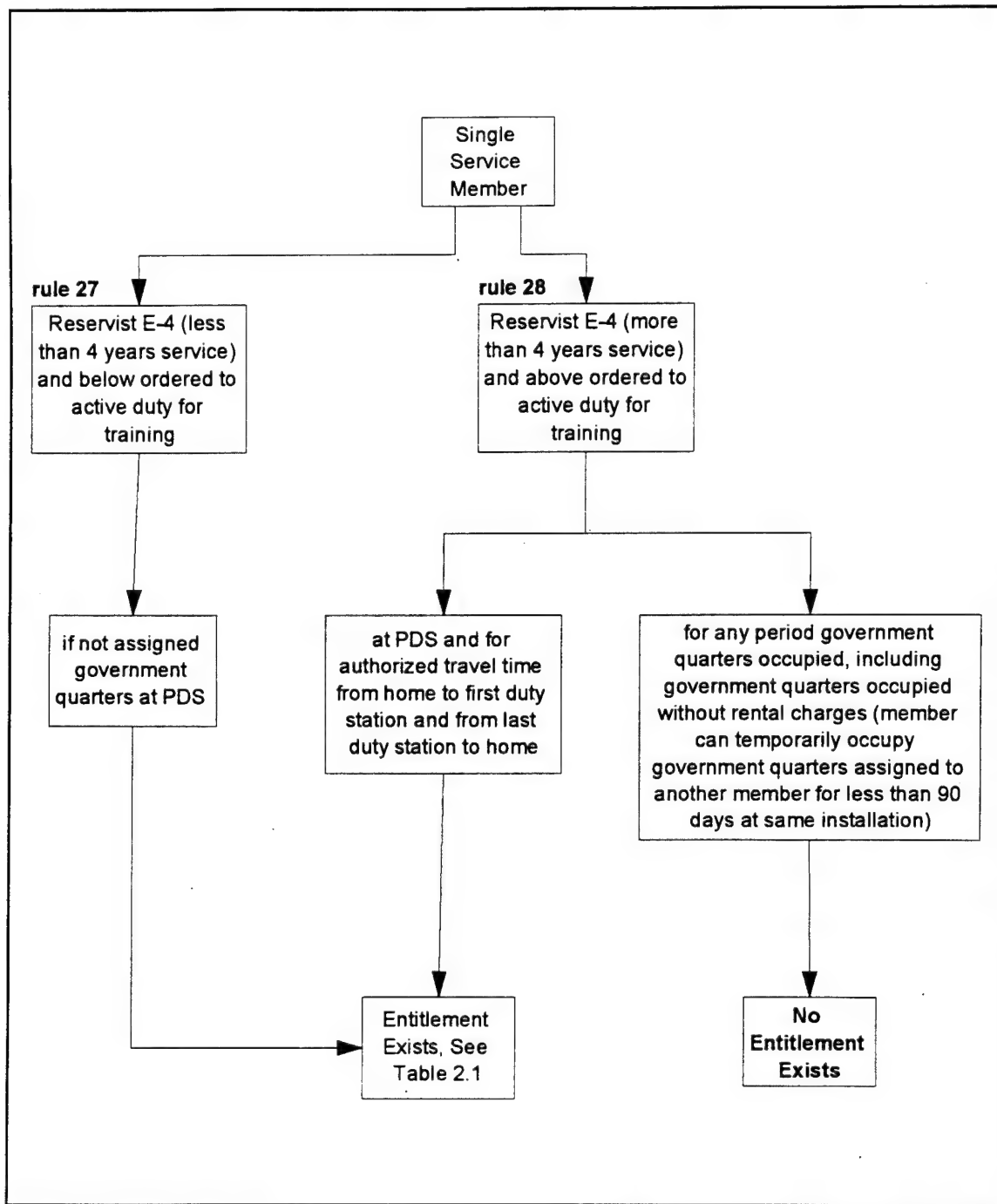


Figure 2.15. BAQ Single. After Ref. [2].

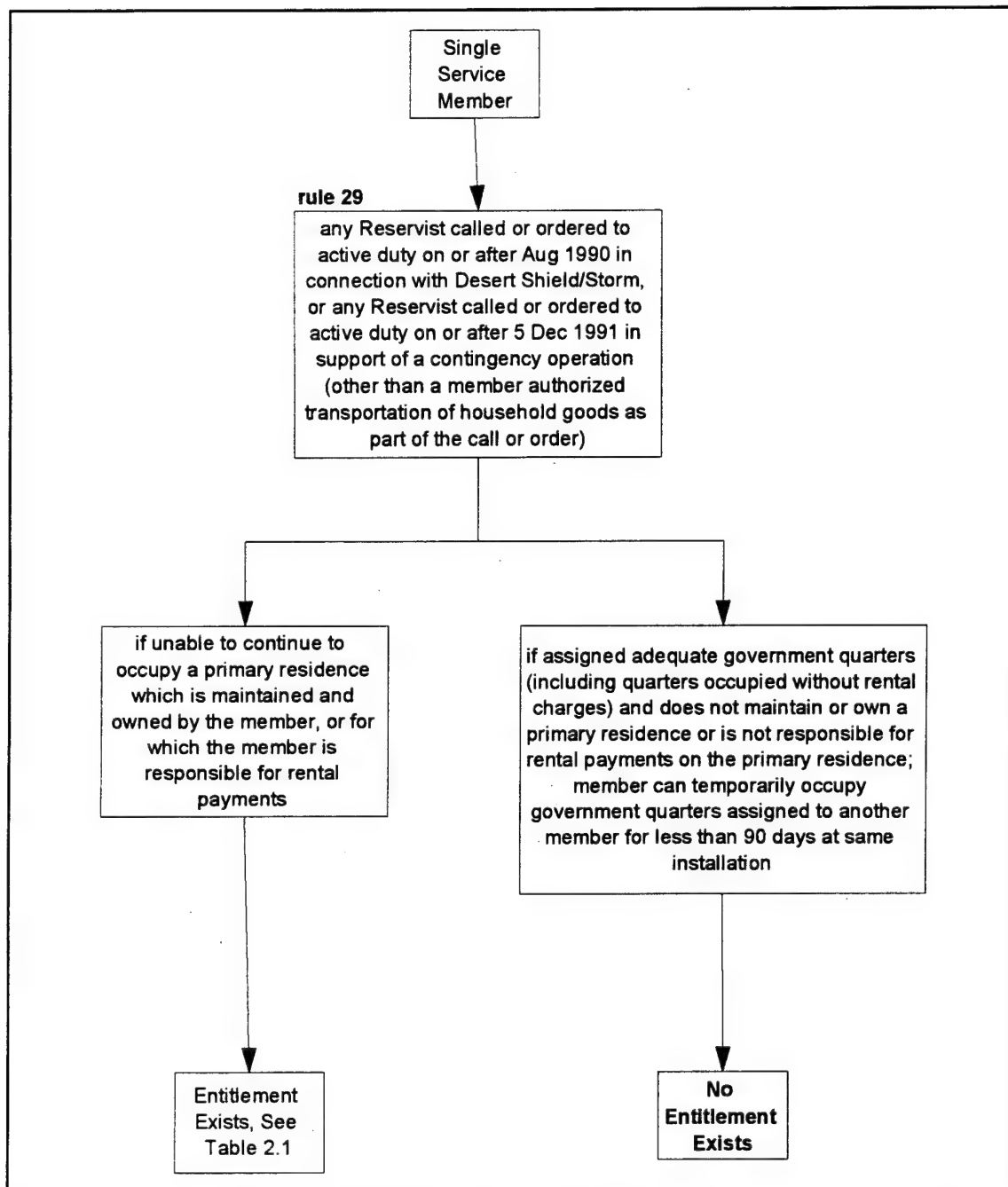


Figure 2.16. BAQ Single. After Ref. [2].

Single service members are usually provided or assigned to single-type government quarters (STGQ). As such, these single service members are not entitled to receive the full rate of BAQ-WO. Instead, these single service members are entitled to receive a partial amount of BAQ (BAQ-P). Also, when single service members are assigned to field or sea duty, they are not entitled to receive the full rate of BAQ-WO. Again, instead, these single service members are entitled to receive BAQ-P. As of 1995, the BAQ-P rates by pay grade are listed in Table 2.2 [Ref. 2].

The following flow charts (Figures 2.17 and 2.18) stipulate the number of rules applicable in determining payment of BAQ-P to single service members.

Basic Allowance For Quarters  
Partial  
1995

<u>PAY GRADE</u>	<u>RATE</u>
O - 10	50.70
O - 9	50.70
O - 8	50.70
O - 7	50.70
O - 6	39.60
O - 5	33.00
O - 4	26.70
O - 3	22.20
O - 2	17.70
O - 1	13.20
 O - 3E	 22.20
O - 2E	17.70
O - 1E	13.20
 W - 5	 25.20
W - 4	25.20
W - 3	20.70
W - 2	15.90
W - 1	13.80
 E - 9	 18.60
E - 8	15.30
E - 7	12.00
E - 6	9.90
E - 5	8.70
E - 4	8.10
E - 3	7.80
E - 2	7.20
E - 1	6.90

Table 2.2.

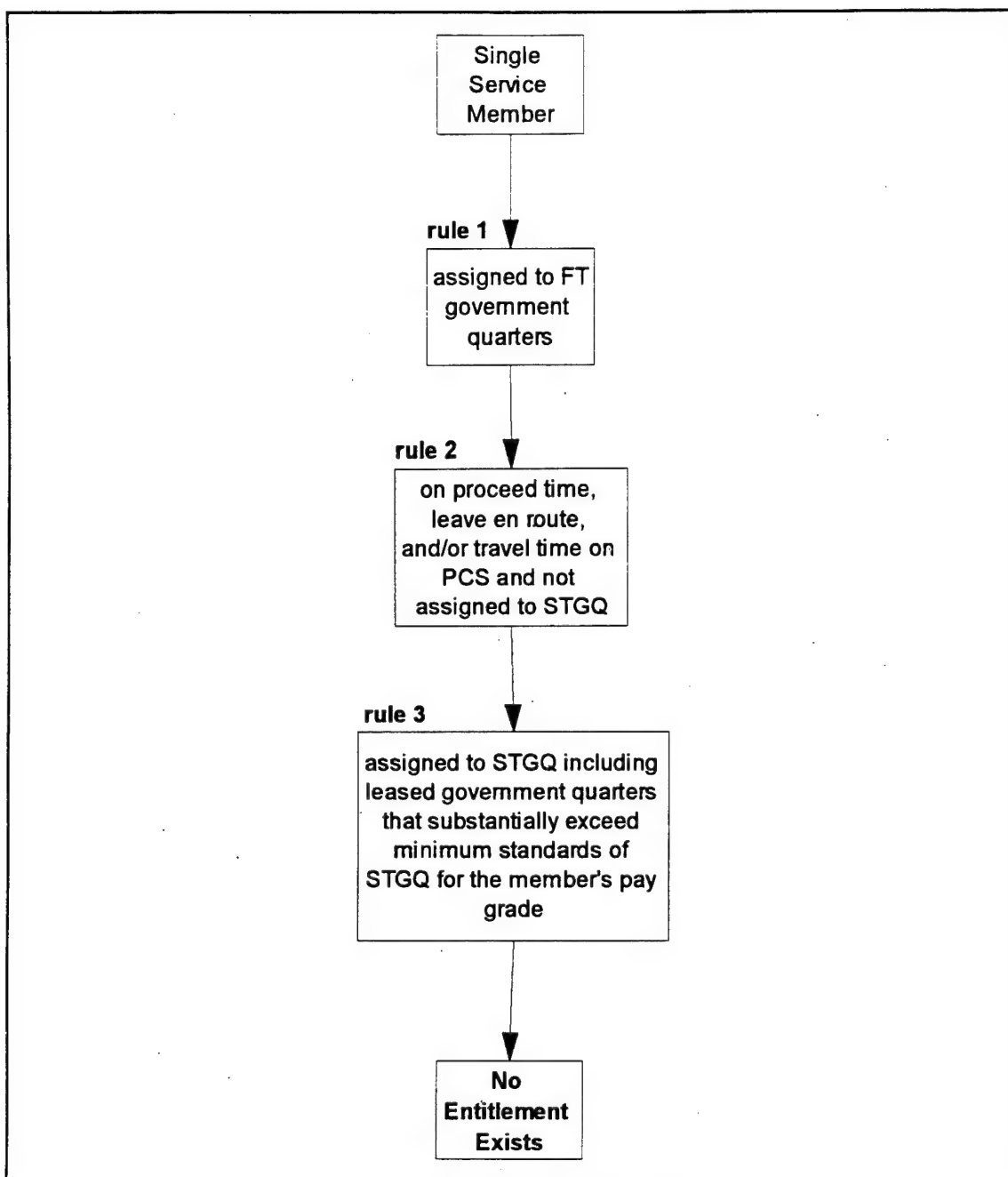


Figure 2.17. BAQ Single. After Ref. [2].

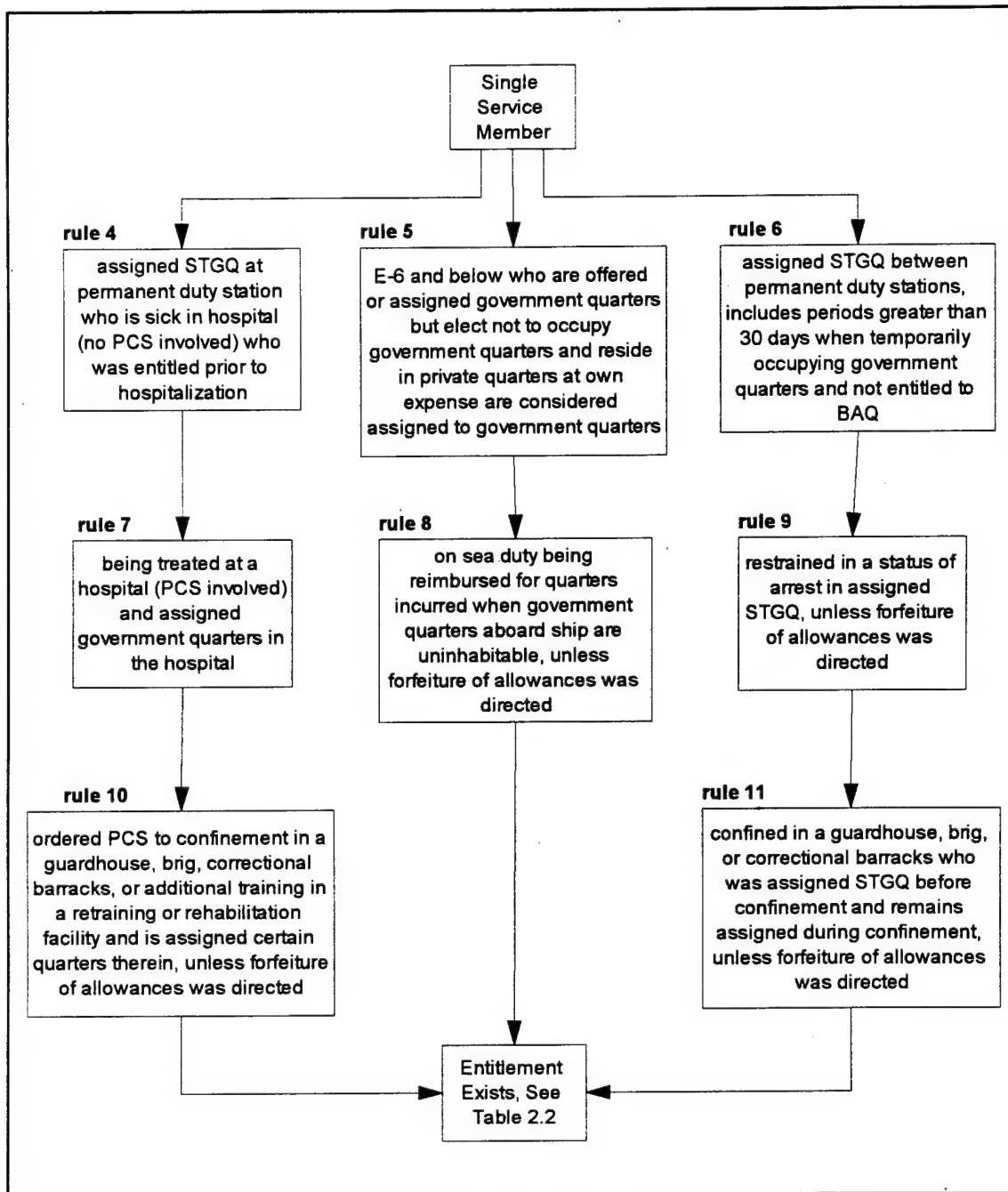


Figure 2.18. BAQ Single. After Ref. [2].

## **B. MARRIED**

Service members are categorized as married if they have a lawful spouse and a marriage contracted in accordance with the laws for the jurisdiction in which it was performed. This category includes both members married to other service members and members married to civilians. Married service members are entitled to receive BAQ at the with-dependents rate (BAQ-W) for the particular pay grade in which they are serving. However, members married to members, who have no other dependents, are not entitled to BAQ-W. They may be paid BAQ-WO if otherwise entitled. As of 1995, the BAQ-W rates by pay grade are listed in Table 2.3 [Ref. 2].

The following flow charts (Figures 2.19 through 2.23) stipulate the number of factors applicable in determining payment of BAQ-W to married service members.

Basic Allowance For Quarters  
With Dependents  
1995

<u>PAY GRADE</u>	<u>RATE</u>
O - 10	922.50
O - 9	922.50
O - 8	922.50
O - 7	922.50
O - 6	830.70
O - 5	800.70
O - 4	705.90
O - 3	584.10
O - 2	498.90
O - 1	455.80
 O - 3E	 627.60
O - 2E	566.40
O - 1E	523.20
 W - 5	 681.30
W - 4	624.60
W - 3	572.40
W - 2	526.50
W - 1	455.40
 E - 9	 599.40
E - 8	552.60
E - 7	513.00
E - 6	474.30
E - 5	426.30
E - 4	370.80
E - 3	345.00
E - 2	328.50
E - 1	328.50

Table 2.3.



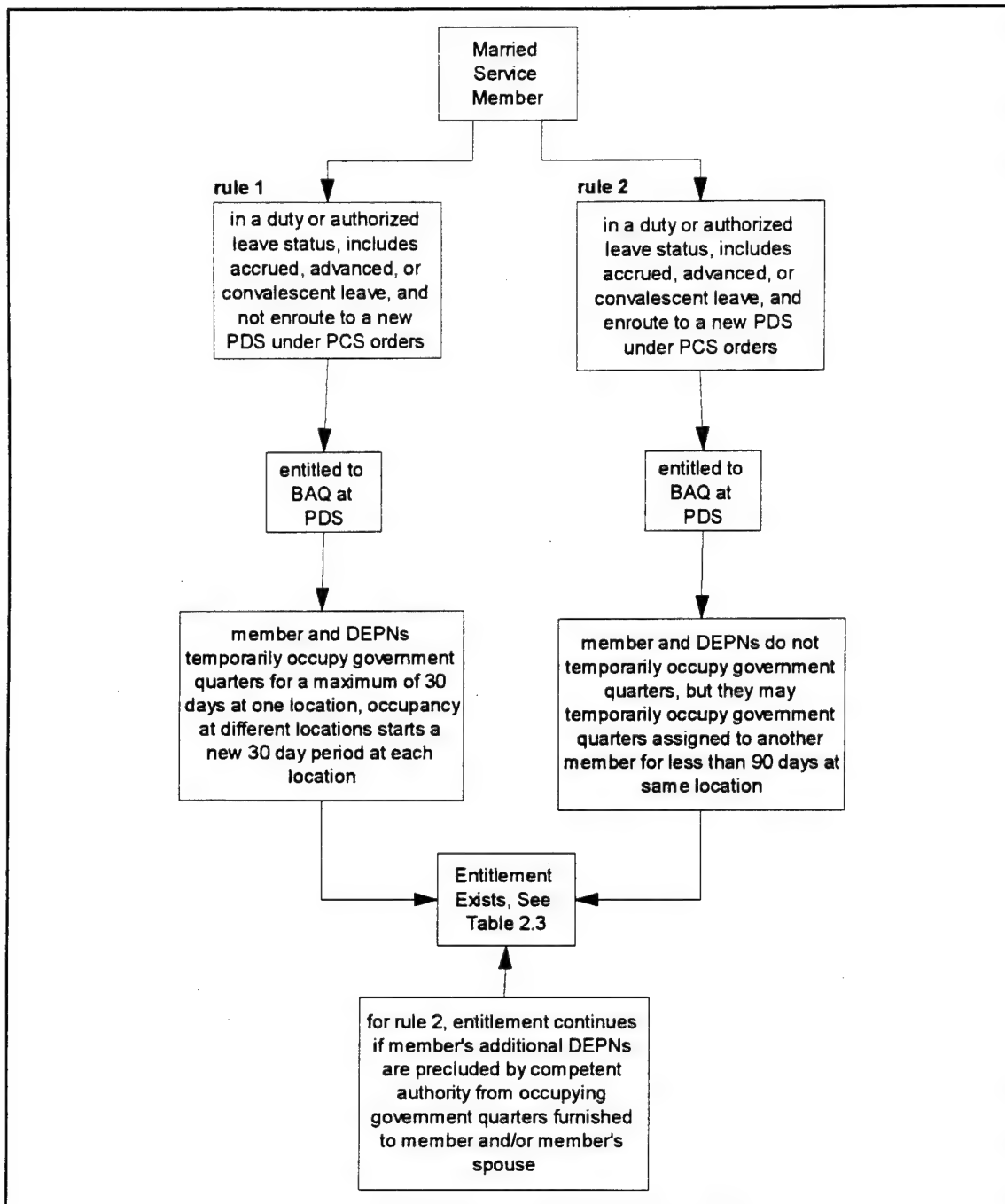


Figure 2.19. BAQ Married. After Ref. [2].

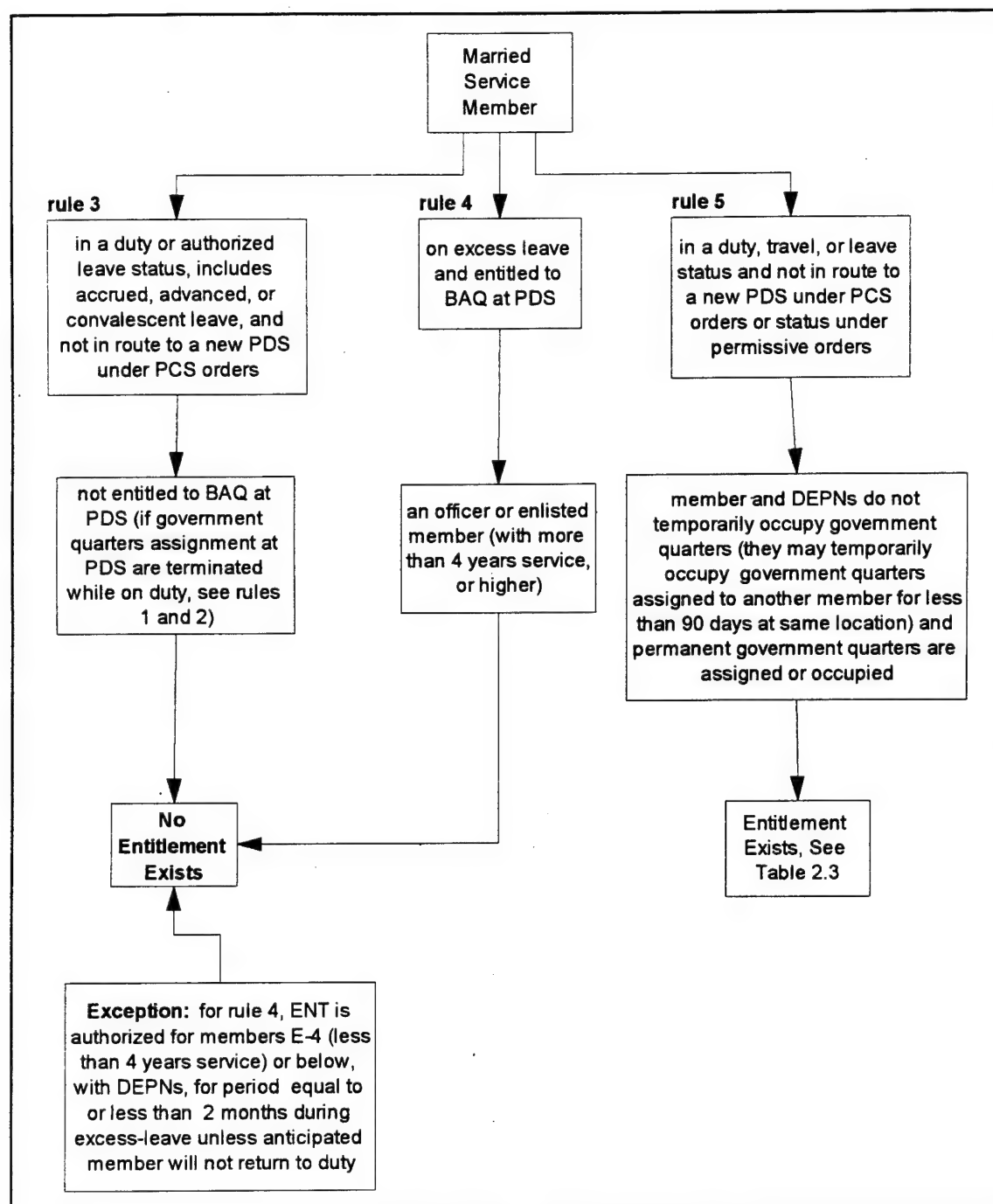


Figure 2.20. BAQ Married. After Ref. [2].

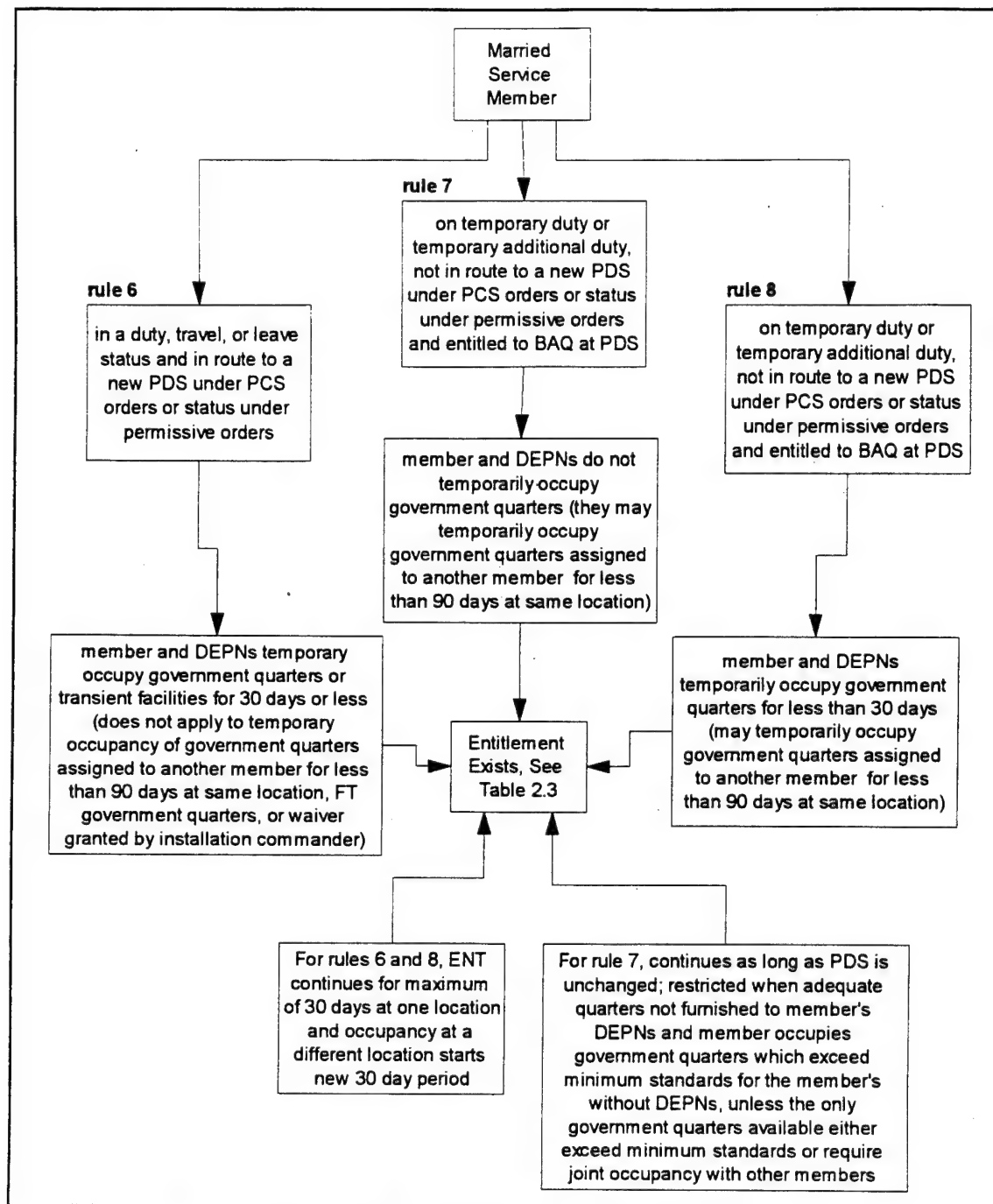


Figure 2.21. BAQ Married. After Ref. [2].

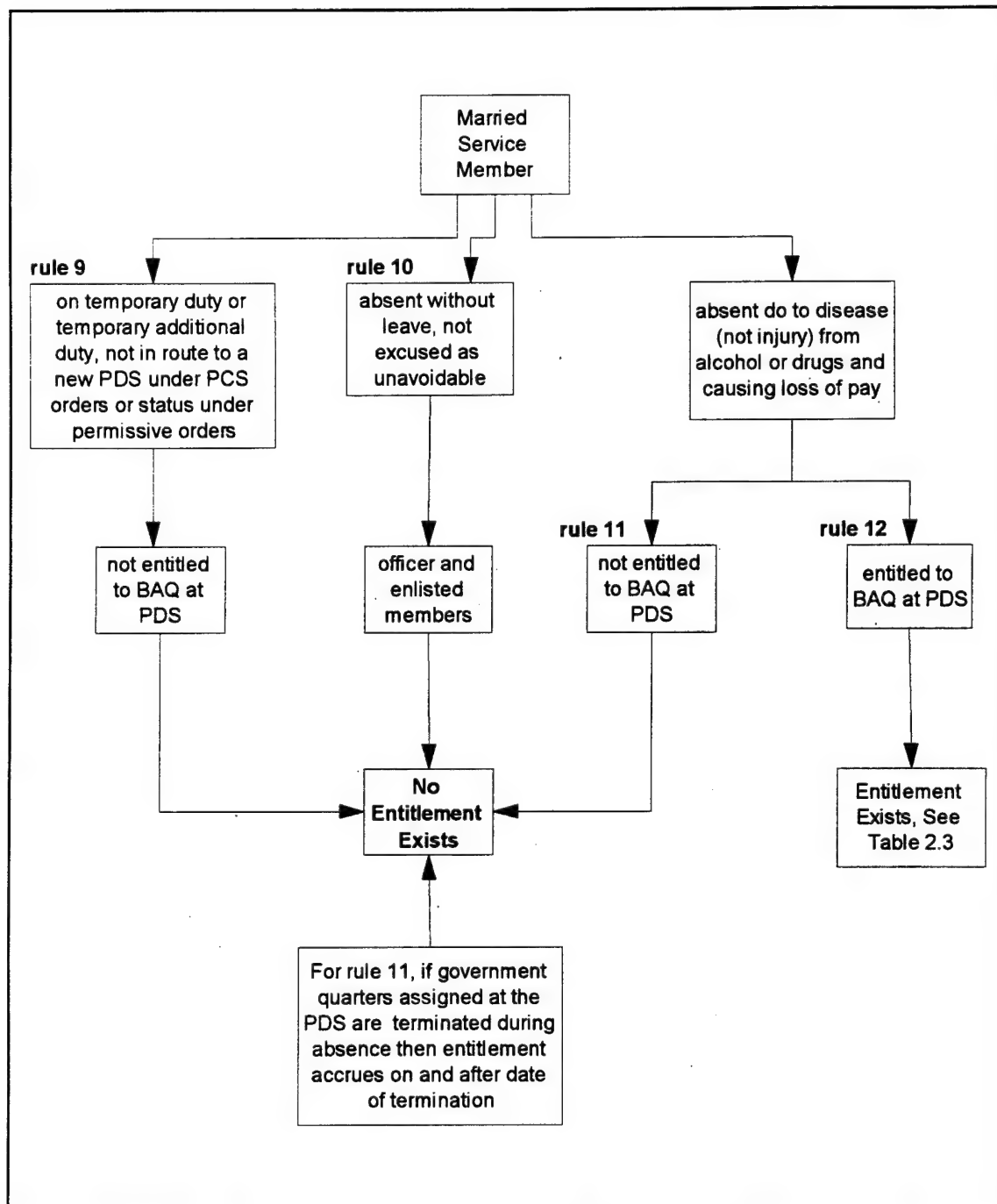


Figure 2.22. BAQ Married. After Ref. [2].

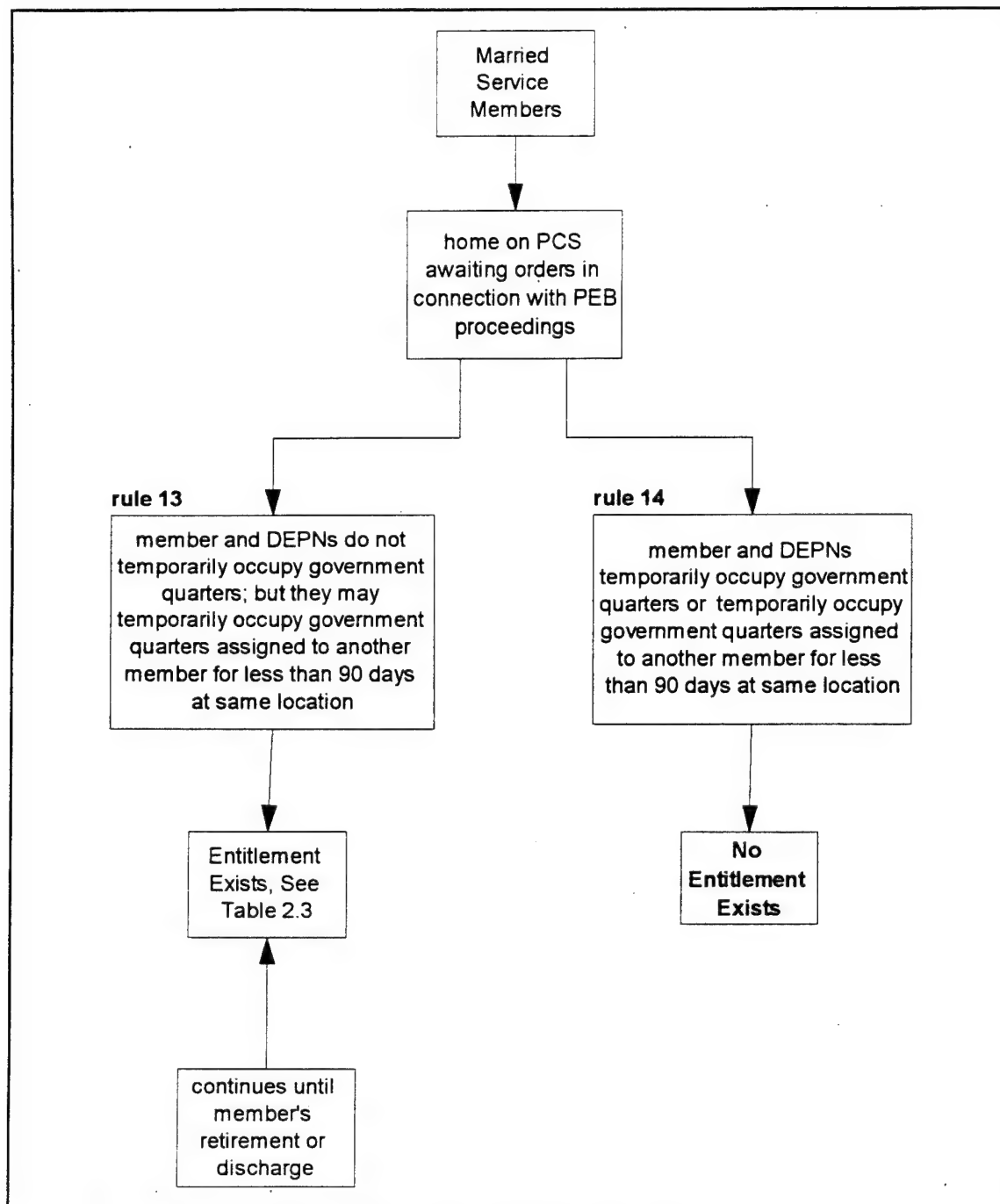


Figure 2.23. BAQ Married. After Ref. [2].

Lastly, the payment of BAQ-P also applies to married service members. See Table 2.2 for the rates payable. The following flow chart stipulates the rules applicable in determining the payment of BAQ-P to married service members.

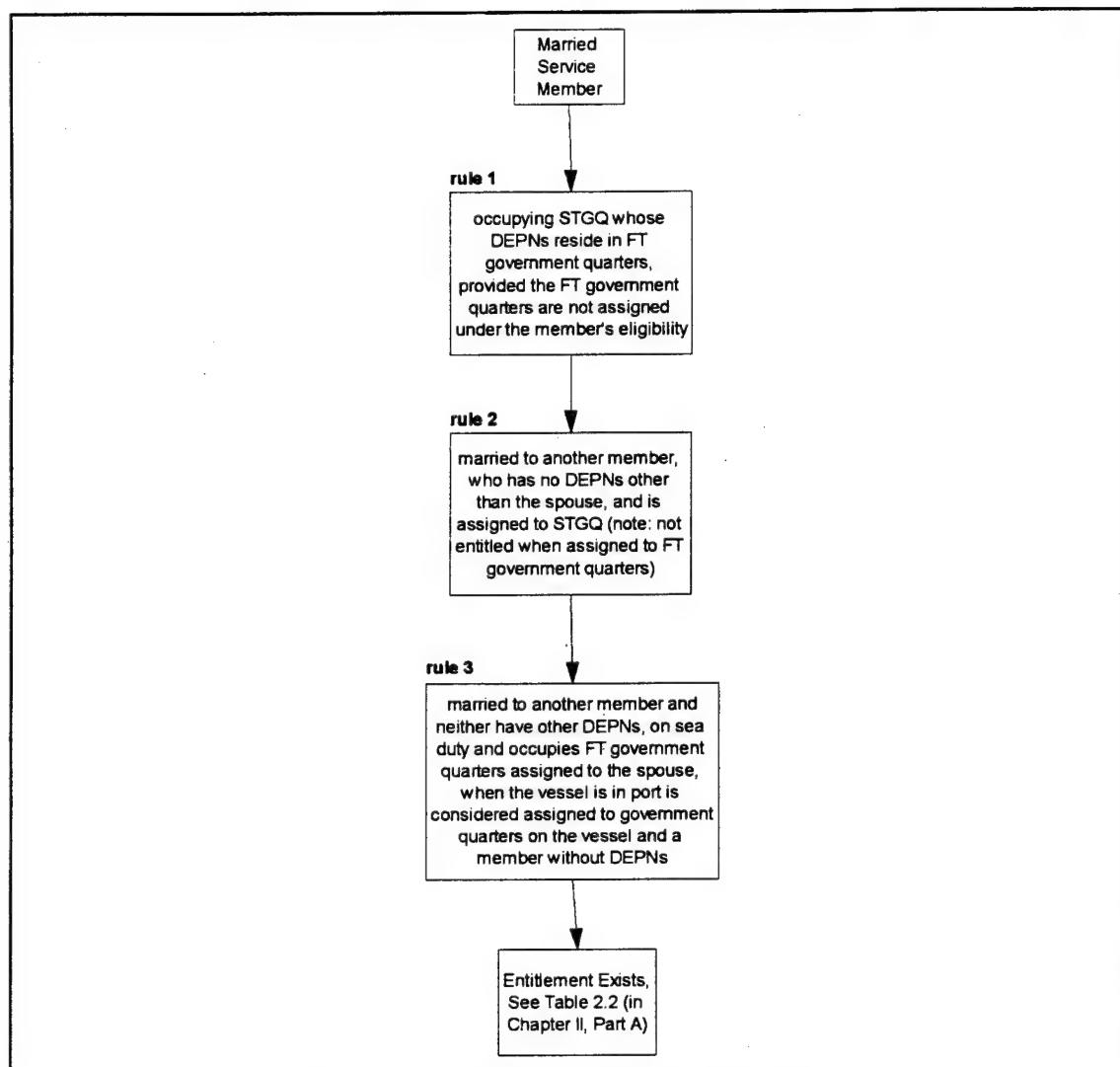


Figure 2.24. BAQ Married. After Ref. [2].

### **C. DIVORCED OR SEPARATED**

Service members are categorized as divorced or separated if they have by legal and binding means dissolved their marriage or if they have by a legally binding agreement separated from their spouse. This includes legal written agreements, court decrees, judgements, and orders. Divorced or separated service members are entitled to receive BAQ at either the BAQ-WO or BAQ-W rates for the particular pay grade in which they are serving. Again refer to Tables 2.1 and 2.3 for these rates.

The following flow charts (Figures 2.25 through 2.28) stipulate the number of rules applicable in determining payment of either BAQ-WO or BAQ-W to divorced or separated service members.

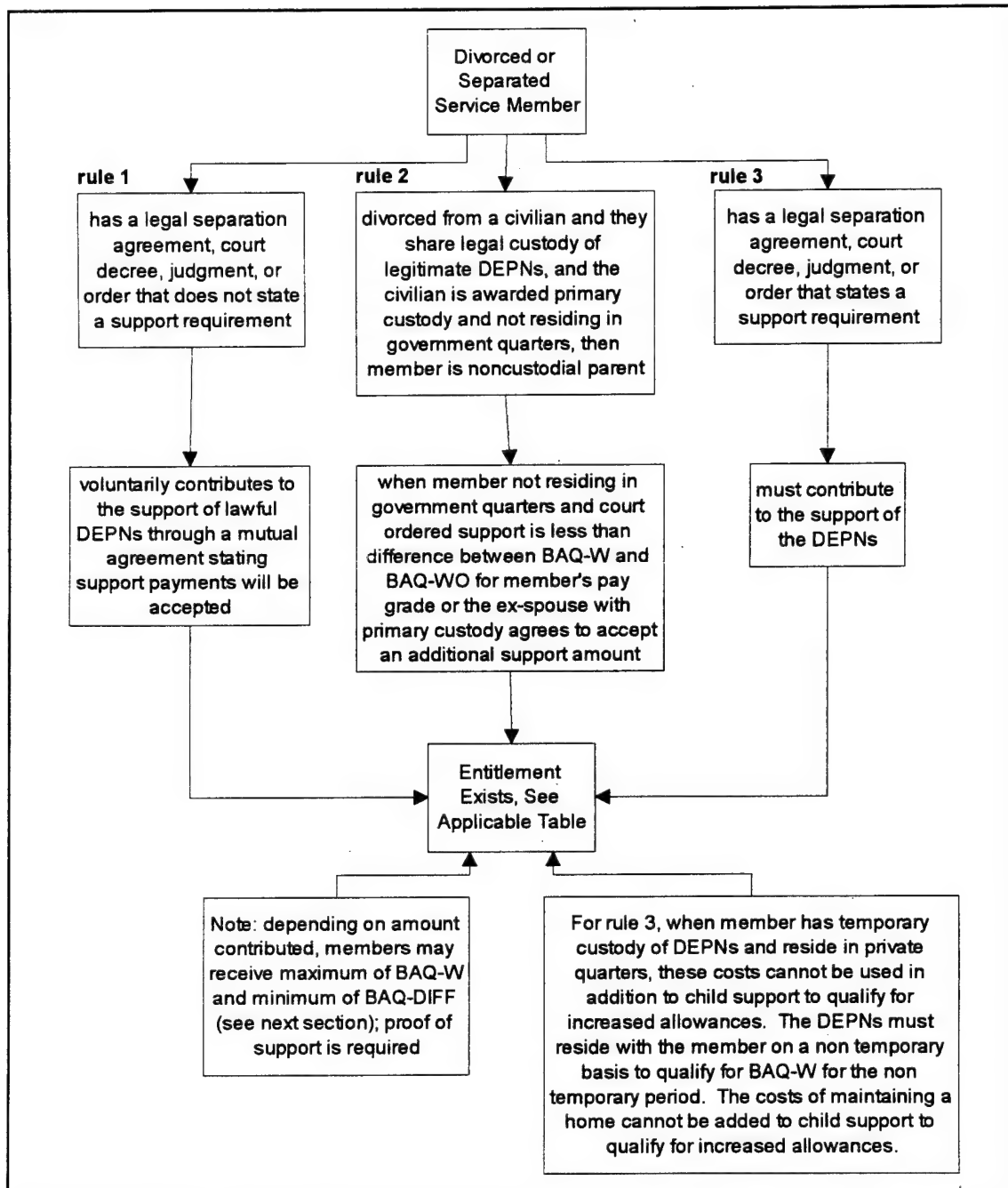


Figure 2.25. BAQ Divorced or Separated. After Ref. [2].



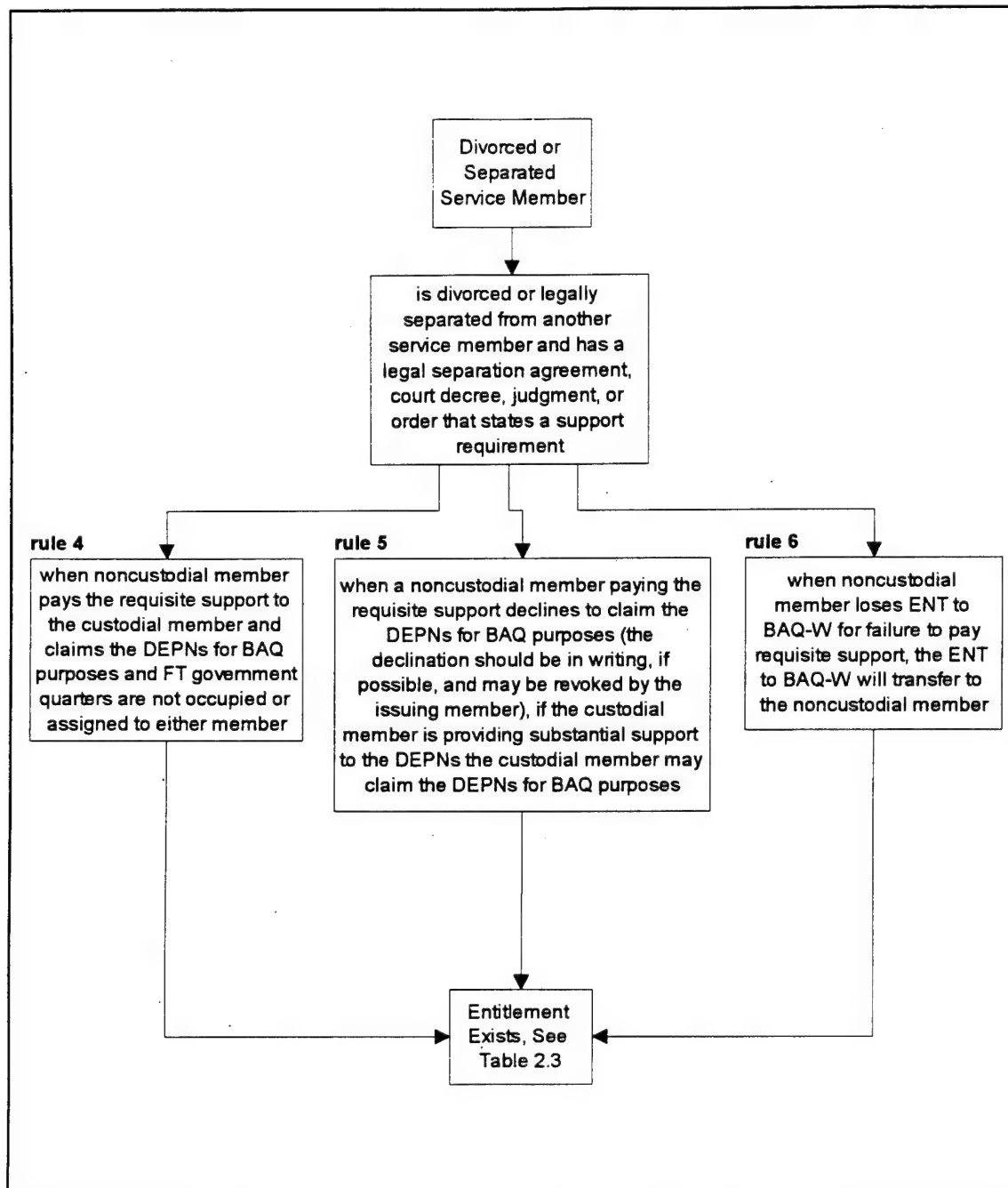


Figure 2.26. BAQ Divorced or Separated. After Ref. [2].

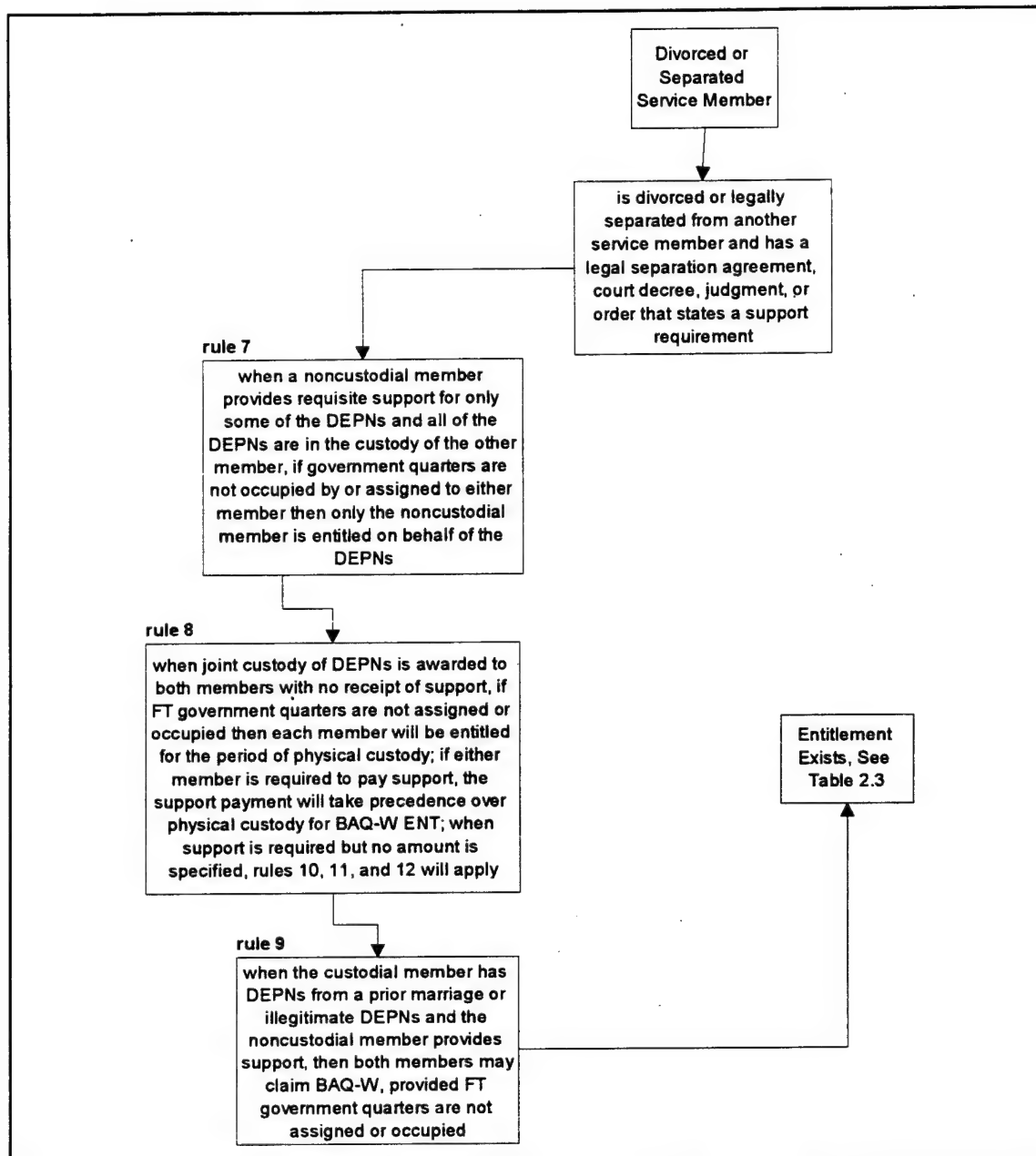


Figure 2.27. BAQ Divorced or Separated. After Ref. [2].

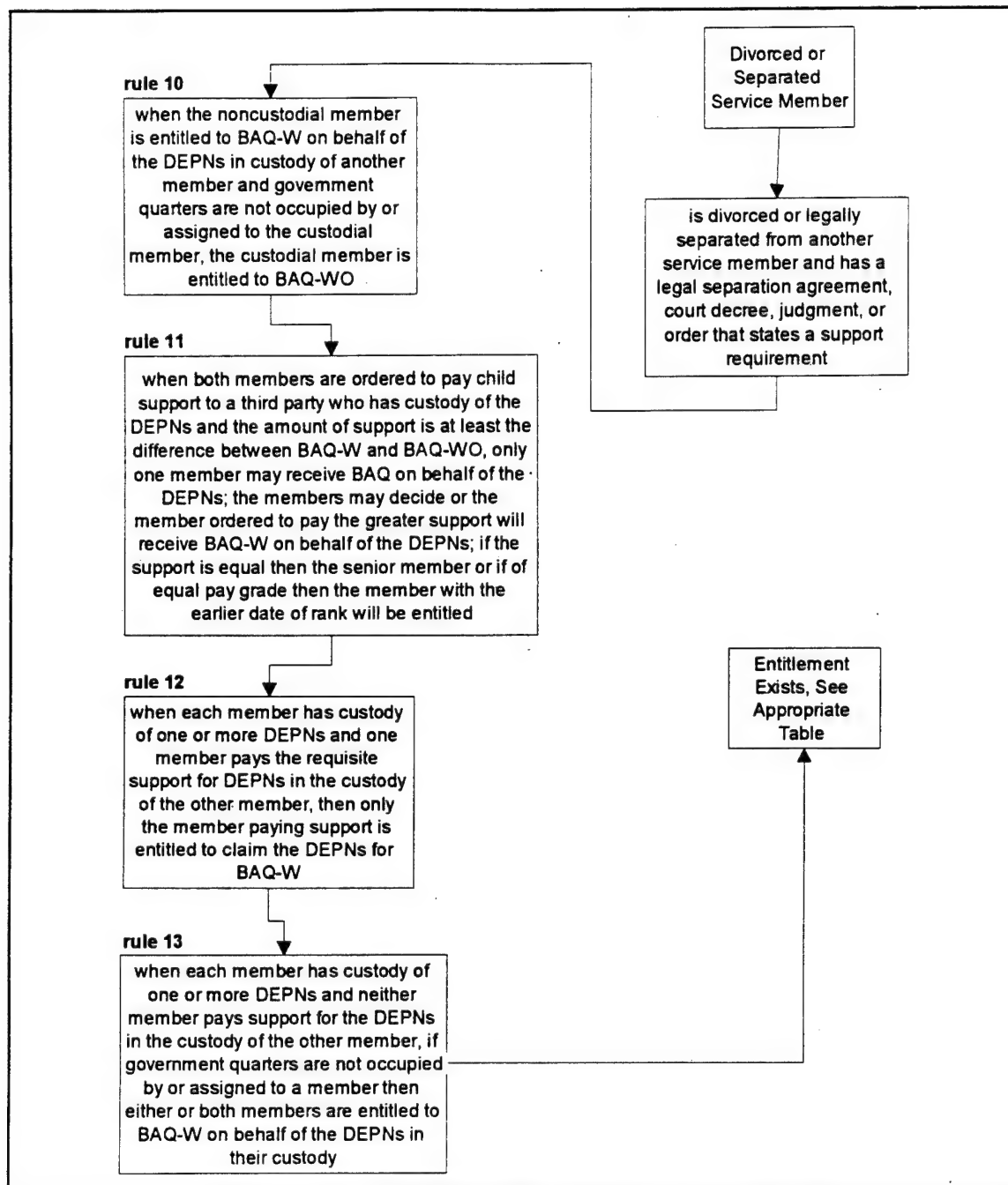


Figure 2.28. BAQ Divorced or Separated. After Ref. [2].

However, on 5 December 1991, a limitation on the amount of BAQ payable to divorced or separated members receiving the allowance solely on the basis of their payment of child support went into effect. It states members authorized to receive BAQ solely for payment of child support are limited to an amount equal to the difference between the BAQ-W and BAQ-WO rates for the member's pay grade. This difference is referred to as the BAQ-Difference (BAQ-DIFF). As of 1995, the BAQ-DIFF rates by pay grade are listed in Table 2.4 [Ref. 2].

The following flow chart (Figure 2.29) stipulates the rules applicable in determining payment of BAQ-DIFF to divorced or separated service members.

Basic Allowance For Quarters  
Difference  
1995

<u>PAY GRADE</u>	<u>RATE</u>
O - 10	173.10
O - 9	173.10
O - 8	173.10
O - 7	173.10
O - 6	143.10
O - 5	138.60
O - 4	92.10
O - 3	92.10
O - 2	108.90
O - 1	127.30
O - 3E	96.60
O - 2E	114.90
O - 1E	135.00
W - 5	57.90
W - 4	70.80
W - 3	107.10
W - 2	113.40
W - 1	109.50
E - 9	144.60
E - 8	135.00
E - 7	156.60
E - 6	151.50
E - 5	128.70
E - 4	111.90
E - 3	90.90
E - 2	122.10
E - 1	144.60

Table 2.4.

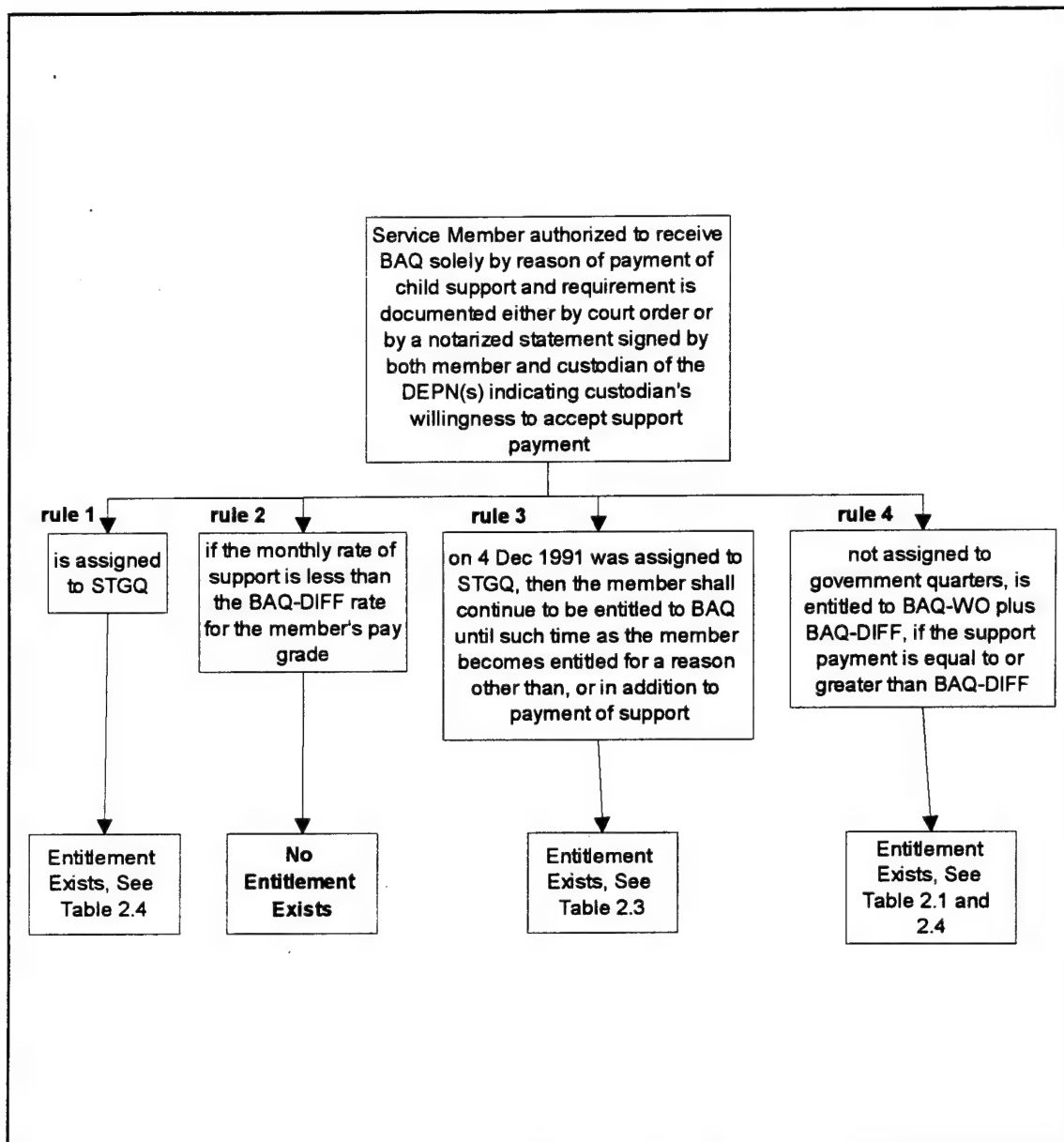


Figure 2.29. BAQ Divorced or Separated. After Ref. [2].



### III. VARIABLE HOUSING ALLOWANCE

VHA is an additional entitlement paid to service members on active duty who are receiving BAQ and are not assigned or occupy jointly with their dependents adequate government quarters, be the quarters single type (ST) or family type (FT). The purpose of VHA is to assist service members and/or their dependents who reside in geographical locations that have been designated as high cost areas in paying their housing costs. There are approximately 321 designated high cost areas in the United States and 26 are located in California. Service members are required annually to identify their housing costs through a certification process with their Commanding Officer (or designated representative) in order to be paid VHA.

The maximum rate of VHA for each housing area and pay grade is decided by the Per Diem, Travel and Transportation Allowance Committee (PDTATAC), DoD [Ref. 3]. The VHA rates are published annually and are updated to reflect both decreases and increases as they may occur. The amount paid to service members is determined by the current pay grade in which they are serving, their status with or without dependents, and other factors. Service members with dependents are paid an amount greater than those without dependents.

When service members' authorized VHA plus BAQ exceed their actual ownership or rental expenses, the VHA payable to the members will be computed at an offset rate. The amount of the offset rate will not exceed the maximum VHA rate for the particular pay grade and housing area. And, if the members' housing expenses are equal to or exceed the sum of the members' maximum VHA rate plus the authorized BAQ rate, the offset computation does not apply. The VHA offset rate is computed by comparing the actual ownership or rental expenses reported by the service member to the sum of the authorized VHA and BAQ rate for the members' pay grade and housing area. If the actual expenses are less than the sum,



the members' authorized VHA will be reduced by 50 percent of the difference between the actual expenses and the sum of the authorized VHA and BAQ rate for the members' pay grade and housing area.

A Standard Utility/Maintenance Expense (SU/ME) is used in computing VHA. The SU/ME rates are determined and published by the PDTATAC. There is a SU/ME rate for each designated high cost area, each pay grade, and each status with or without dependents. For examples, the SU/ME rates for housing in Monterey, California, by pay grade and status of service members without and with dependents, are listed in Tables 3.1 and 3.2, respectively [Ref. 3].

In addition, when a service member entitled to VHA resides with one or more sharer, the VHA payable to the member will be computed at an offset rate. Again, the amount of the offset rate will not exceed the member's maximum VHA rate for the particular pay grade and housing area. When members married to members maintain joint residences, they are not considered as sharers for this purpose.

This VHA offset rate is computed by combining the BAQ and VHA amounts of each member sharer to arrive at the member's housing income (HI). Then the member's housing expense (HE) is computed by combining the total ownership or rental expenses and the SU/ME rate with dependents, divided by the number of sharers. The member's authorized VHA is reduced by 50 percent of the difference between the HI minus the HE. If the member sharer's HE is equal to or greater than the HI, the member is entitled to the full amount of VHA for the particular pay grade and housing area. If members married to members maintain a joint residence with others as sharers, each member is considered a sharer for this purpose.

Housing Area, Monterey, California  
Variable Housing Allowance  
Standard Utility/Maintenance Expense  
Without Dependents  
1995

<u>PAY GRADE</u>	<u>RATE</u>
O - 10	259.84
O - 9	259.84
O - 8	259.84
O - 7	259.84
O - 6	240.99
O - 5	236.83
O - 4	202.12
O - 3	145.76
O - 2	118.46
O - 1	91.71
 O - 3E	 191.64
O - 2E	159.04
O - 1E	125.89
 W - 5	 212.11
W - 4	212.11
W - 3	228.80
W - 2	172.46
W - 1	141.82
 E - 9	 173.63
E - 8	161.18
E - 7	152.13
E - 6	133.27
E - 5	110.61
E - 4	86.49
E - 3	63.82
E - 2	58.27
E - 1	53.49

Table 3.1.

Housing Area, Monterey, California  
Variable Housing Allowance  
Standard Utility/Maintenance Expense  
With Dependents  
1995

<u>PAY GRADE</u>	<u>RATE</u>
O - 10	319.86
O - 9	319.86
O - 8	319.86
O - 7	319.86
O - 6	291.14
O - 5	286.40
O - 4	232.45
O - 3	173.05
O - 2	151.54
O - 1	124.46
 O - 3E	 226.51
O - 2E	199.51
O - 1E	169.66
 W - 5	 239.22
W - 4	239.22
W - 3	281.46
W - 2	219.80
W - 1	186.71
 E - 9	 263.02
E - 8	245.15
E - 7	251.69
E - 6	225.08
E - 5	182.12
E - 4	142.38
E - 3	99.59
E - 2	106.60
E - 1	109.83

Table 3.2.

DoD financial managers determine what amount of VHA a service member will receive. They are guided in this by Volume 1 of The JFTR [Ref. 3]. It governs travel and transportation allowances paid to service members. Chapter Eight in Volume 1 specifically covers VHA. Chapter Eight is a myriad of regulations, requirements, and rules. It is the foundation from which the financial management officer will determine what amount of VHA to pay the service members. Here is where a critical review of the determination process for VHA will be conducted. All service members can be placed into three categories: single, married, and divorced or separated. Therefore, these categories are the parameters for this critical review.

#### **A. SINGLE**

Service members are categorized as single if they have never been married and have no dependents. Single service members are entitled to receive VHA at the without-dependents rate (VHA-WO) for the particular pay grade in which they are serving. For an example, as of 1995 for housing in Monterey, California, the maximum VHA-WO rates by pay grade are listed in Table 3.3 [Ref. 3].

The following flow charts (Figures 3.1 and 3.2) stipulate the number of rules applicable in determining payment of VHA-WO to single service members.

Housing Area, Monterey, California  
Variable Housing Allowance  
Without Dependents  
1995

<u>PAY GRADE</u>	<u>RATE</u>
O - 10	328.34
O - 9	328.34
O - 8	328.34
O - 7	328.34
O - 6	390.14
O - 5	386.65
O - 4	434.95
O - 3	305.54
O - 2	272.96
O - 1	237.37
 O - 3E	 372.33
O - 2E	286.60
O - 1E	248.19
 W - 5	 440.69
W - 4	440.69
W - 3	345.49
W - 2	320.27
W - 1	346.05
 E - 9	 321.40
E - 8	315.79
E - 7	292.93
E - 6	234.78
E - 5	189.72
E - 4	172.44
E - 3	169.17
E - 2	152.38
E - 1	135.77

Table 3.3.

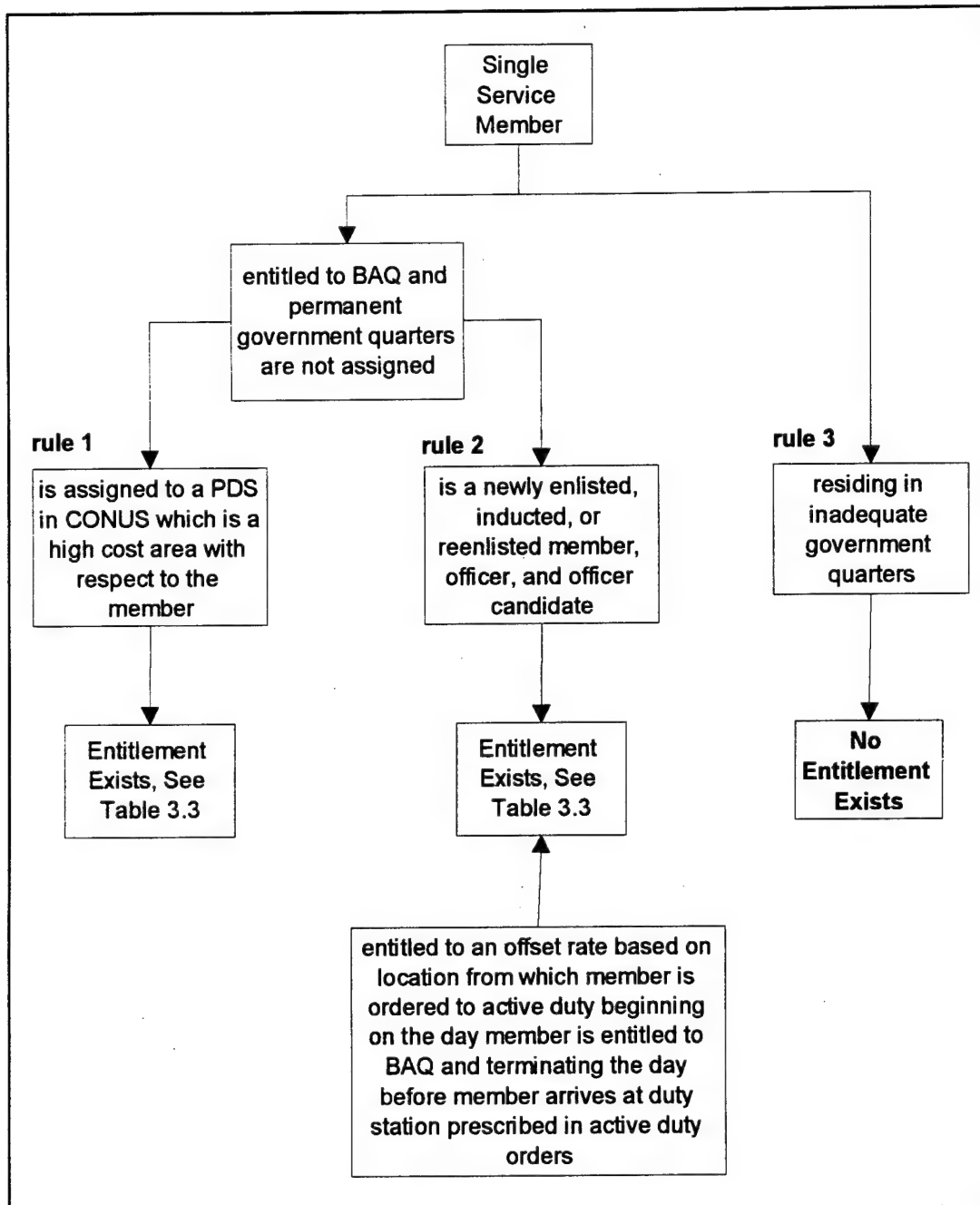


Figure 3.1. VHA Single. After Ref. [3].

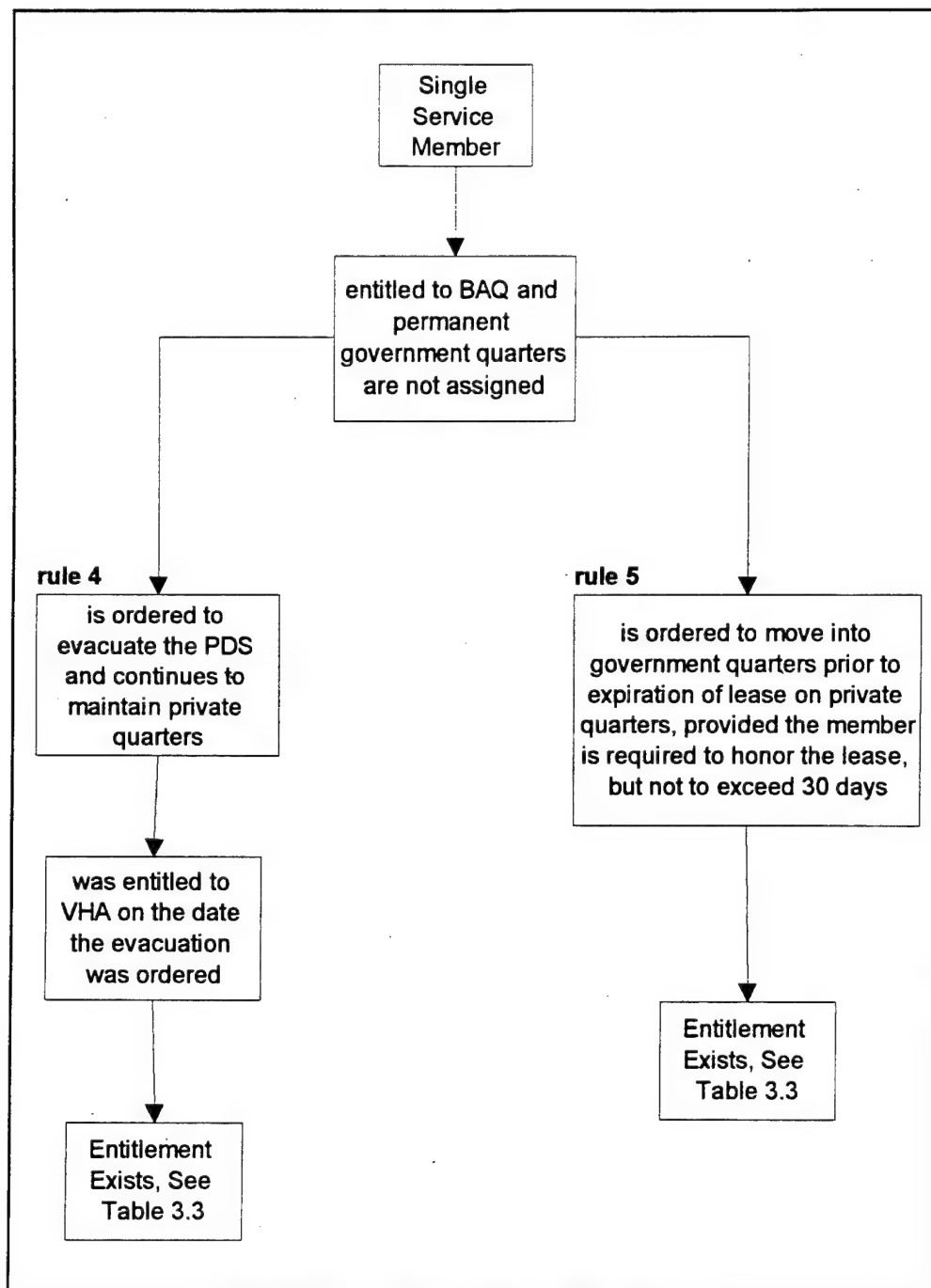


Figure 3.2. VHA Single. After Ref. [3].

## **B. MARRIED**

Service members are categorized as married if they have a lawful spouse and a marriage contracted in accordance with the laws for the jurisdiction in which it was performed. This category includes both members married to members and members married to civilians. Married service members are entitled to receive VHA at the with-dependents rate (VHA-W) for the particular pay grade in which they are serving. However, members married to members, who have no other dependents, are not entitled to VHA-W. For an example, as of 1995 for housing in Monterey, California, the maximum VHA-W rates by pay grade are listed in Table 3.4 [Ref. 3].

The following flow charts (Figures 3.3 through 3.9) stipulate the number of rules applicable in determining payment of VHA-W to married service members.



Housing Area, Monterey, California  
Variable Housing Allowance  
With Dependents  
1995

<u>PAY GRADE</u>	<u>RATE</u>
O - 10	404.18
O - 9	404.18
O - 8	404.18
O - 7	404.18
O - 6	471.34
O - 5	467.59
O - 4	500.21
O - 3	362.74
O - 2	349.18
O - 1	322.13
 O - 3E	 440.07
O - 2E	359.54
O - 1E	334.50
 W - 5	 497.03
W - 4	497.03
W - 3	425.02
W - 2	408.19
W - 1	455.60
 E - 9	 423.59
E - 8	417.88
E - 7	421.63
E - 6	344.97
E - 5	271.76
E - 4	246.96
E - 3	229.68
E - 2	242.52
E - 1	242.52

Table 3.4.

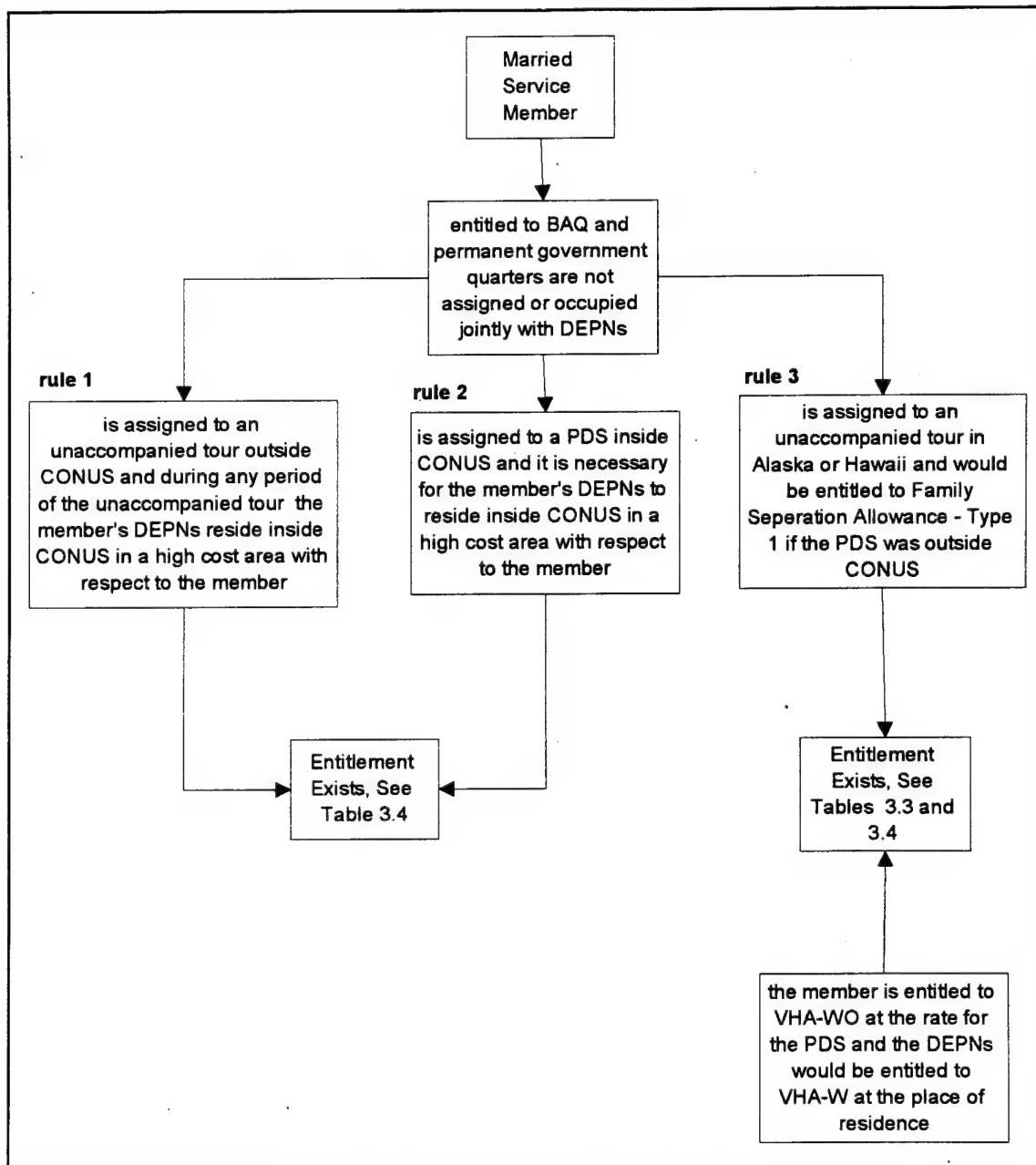


Figure 3.3. VHA Married. After Ref. [3].

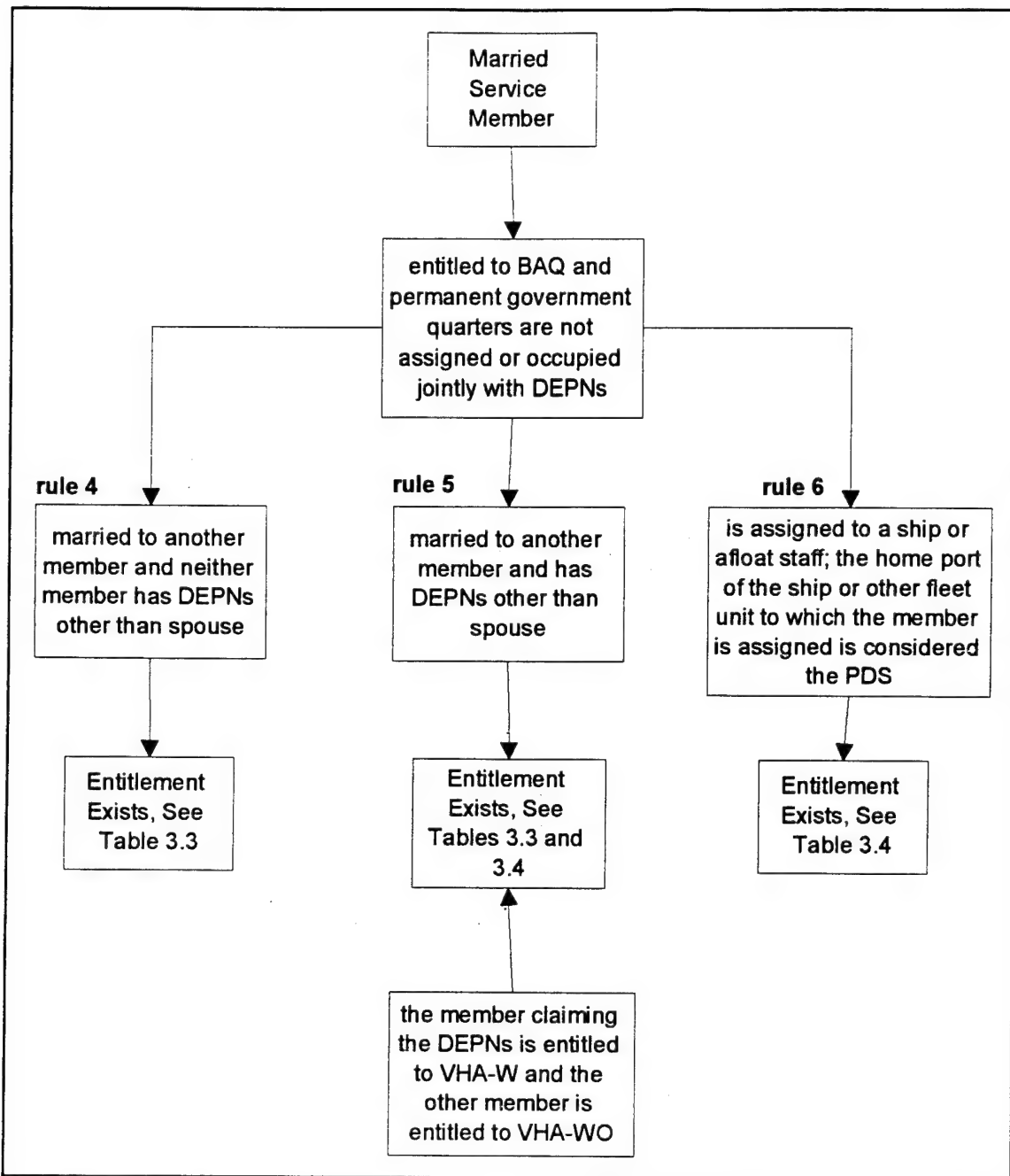


Figure 3.4. VHA Married. After Ref. [3].

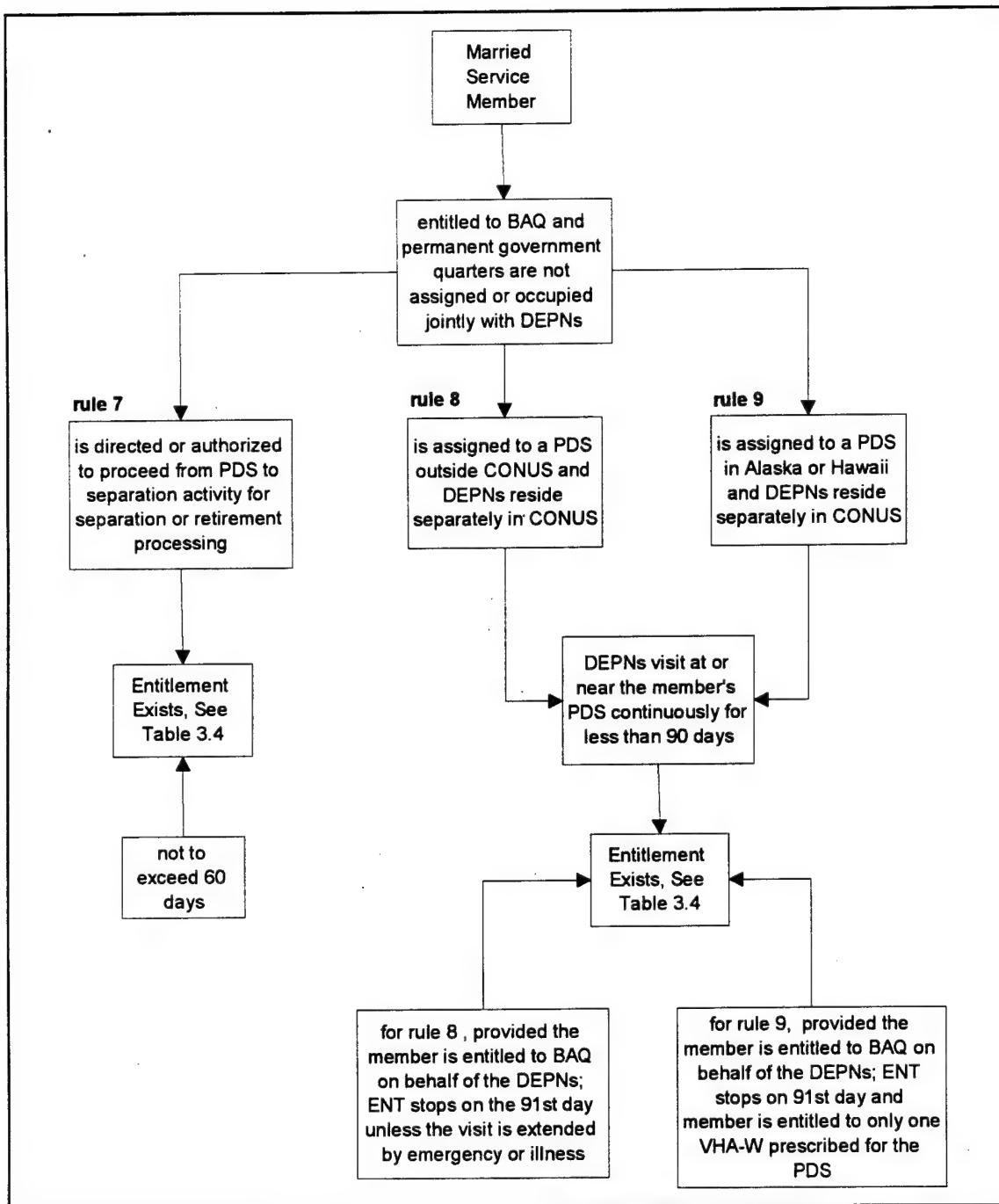


Figure 3.5. VHA Married. After Ref. [3].

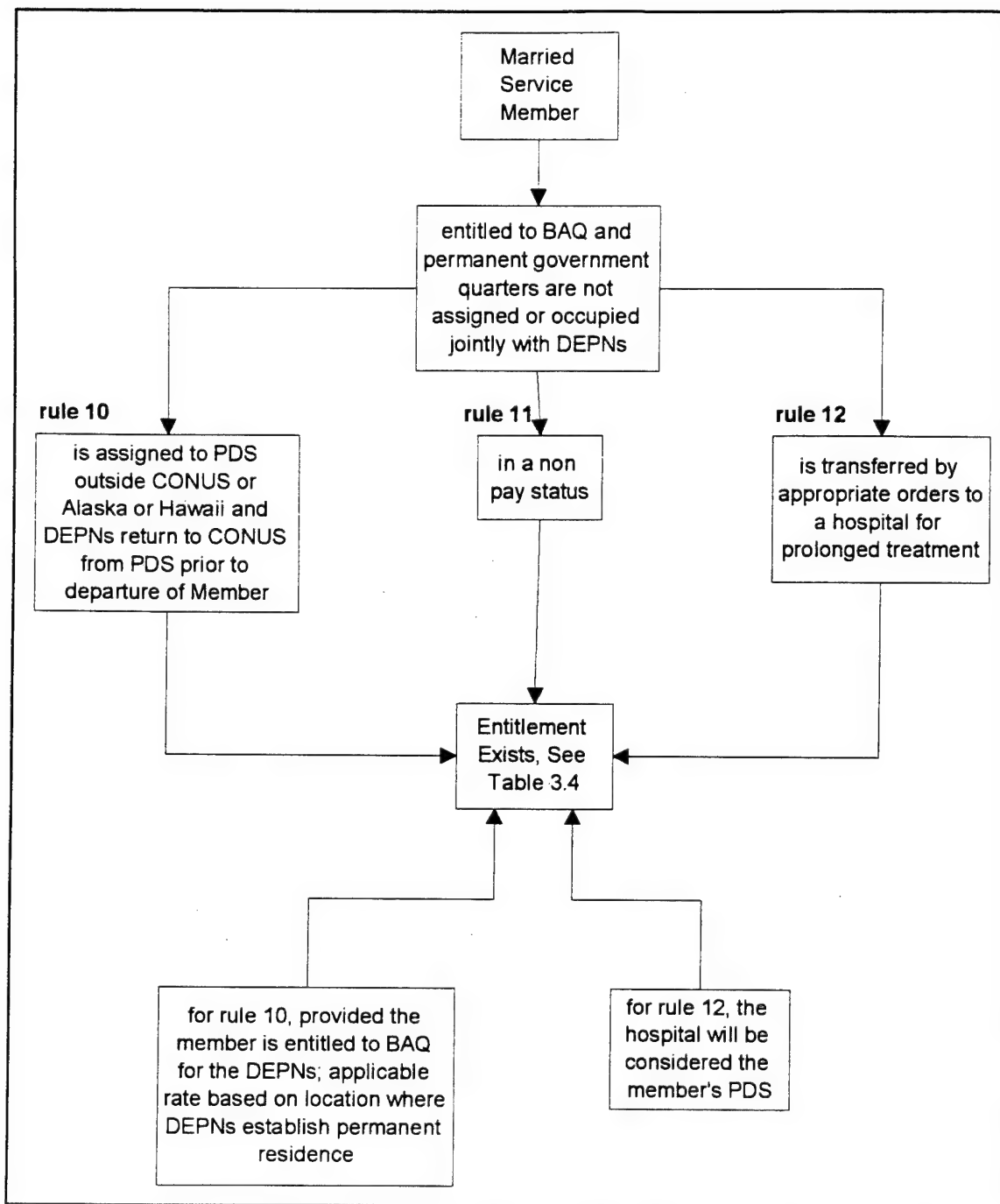


Figure 3.6. VHA Married. After Ref. [3].

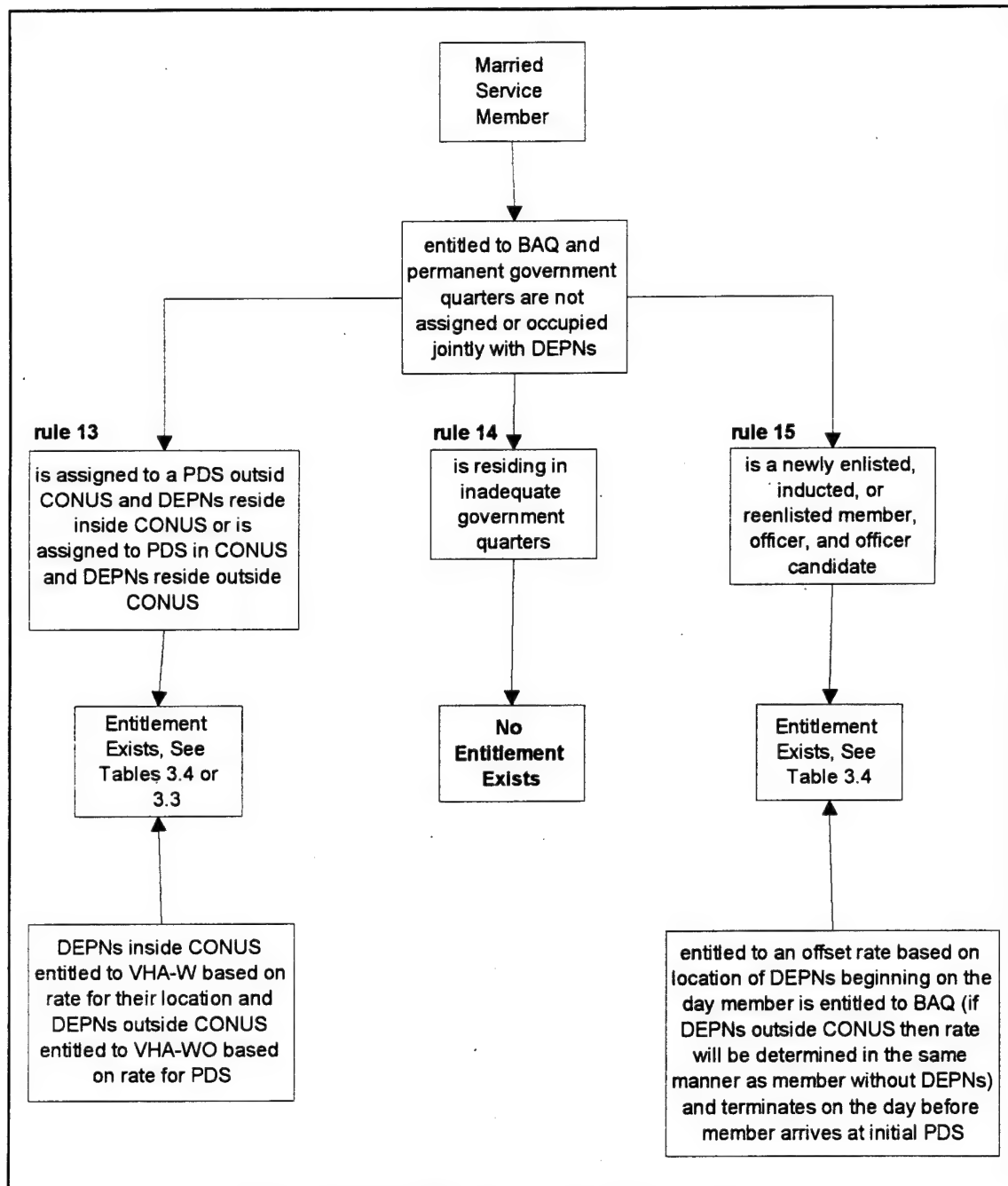


Figure 3.7. VHA Married. After Ref. [3].

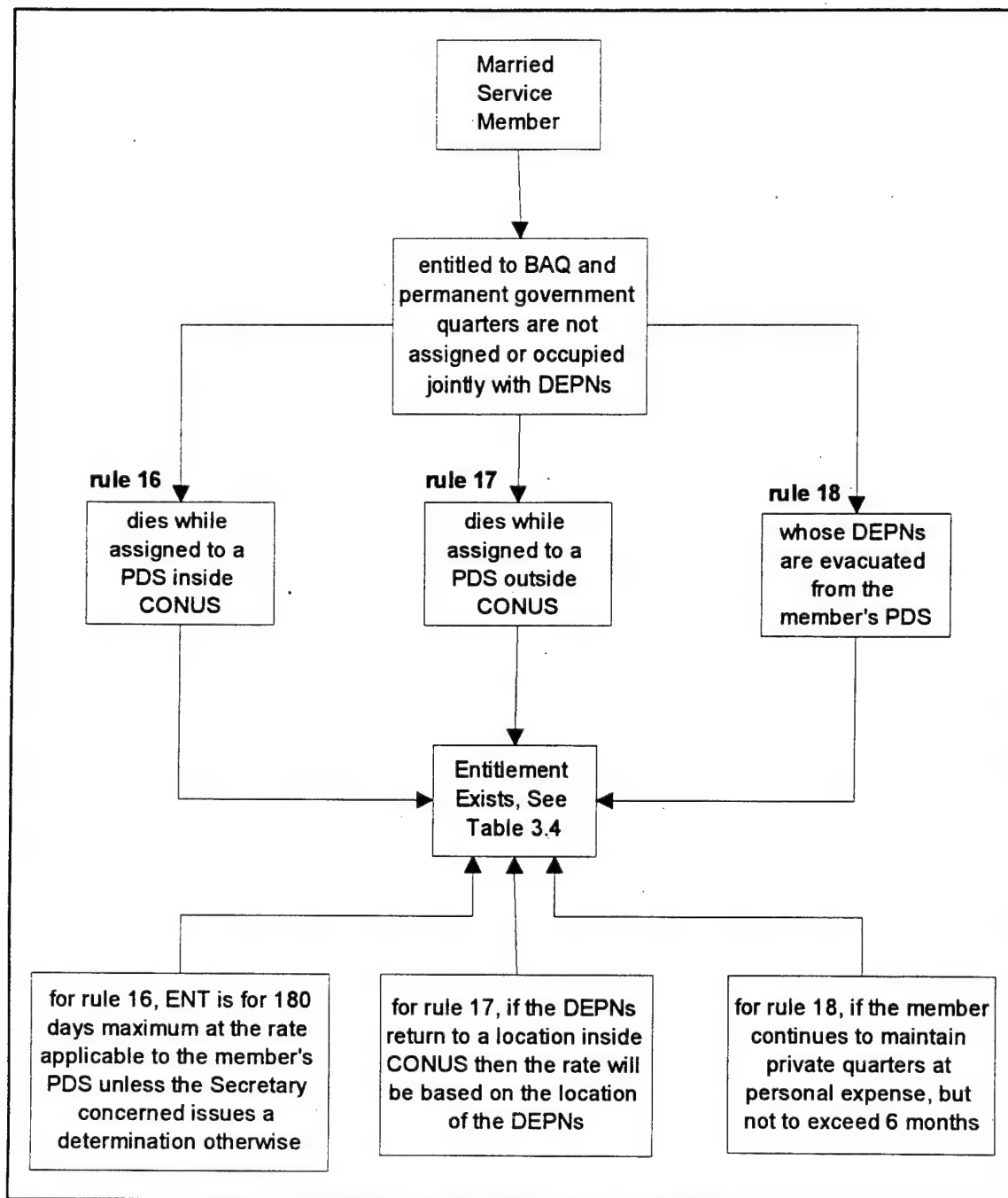


Figure 3.8. VHA Married. After Ref. [3].

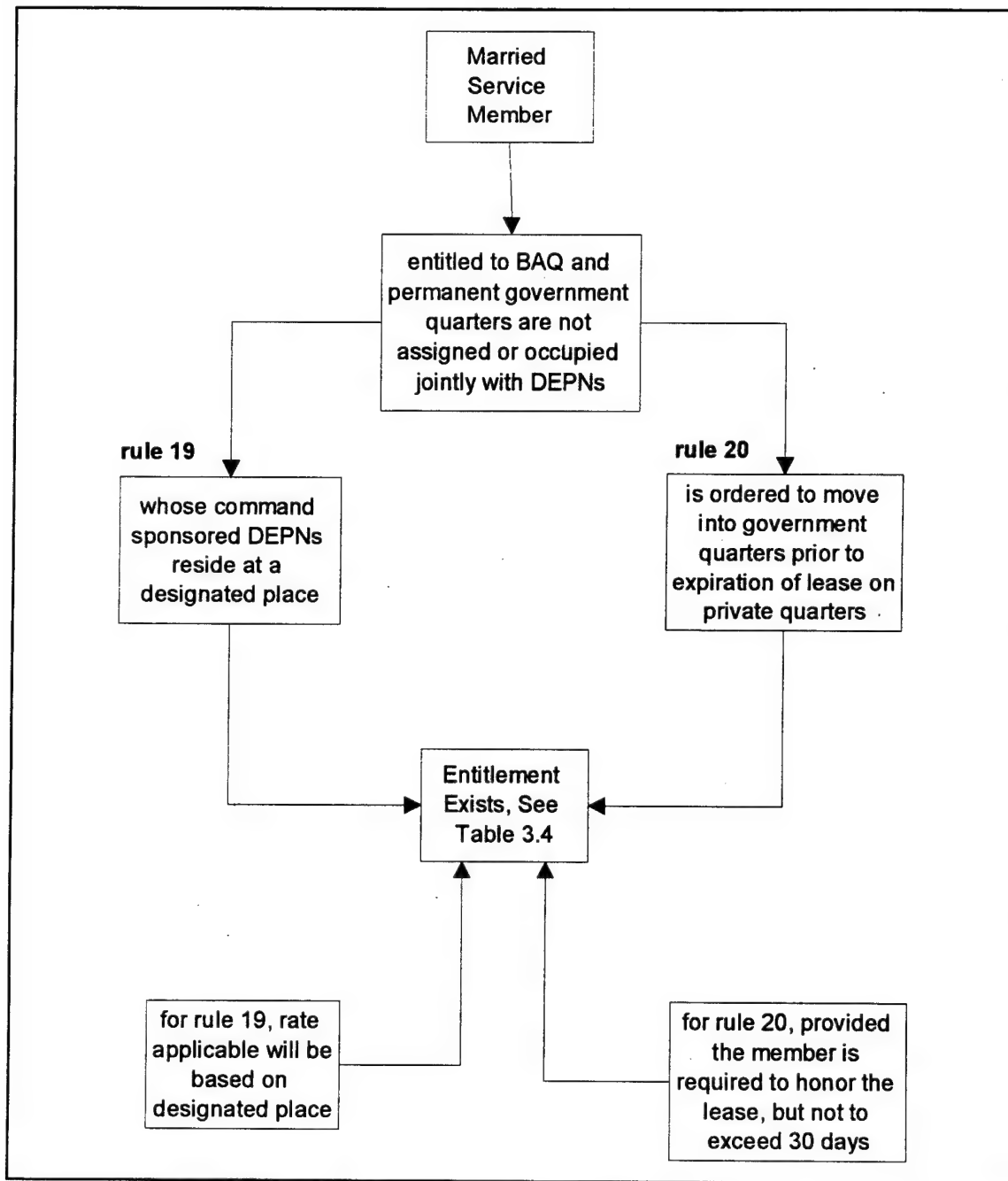


Figure 3.9. VHA Married. After Ref. [3].



### **C. DIVORCED OR SEPARATED**

Service members are categorized as divorced or separated if they have by legal and binding means dissolved their marriage or if they have by a legally binding agreement separated from their spouse. This includes legal written agreements, court decrees, judgements, and orders. Divorced or separated service members are entitled to receive VHA at either the VHA-WO or VHA-W rates for the particular pay grade in which they are serving. Again, refer to Tables 3.3 and 3.4 for these rates.

The following flow charts (Figures 3.10 through 3.14) stipulate the number of rules applicable in determining payment of either VHA-WO or VHA-W to divorced or separated service members.

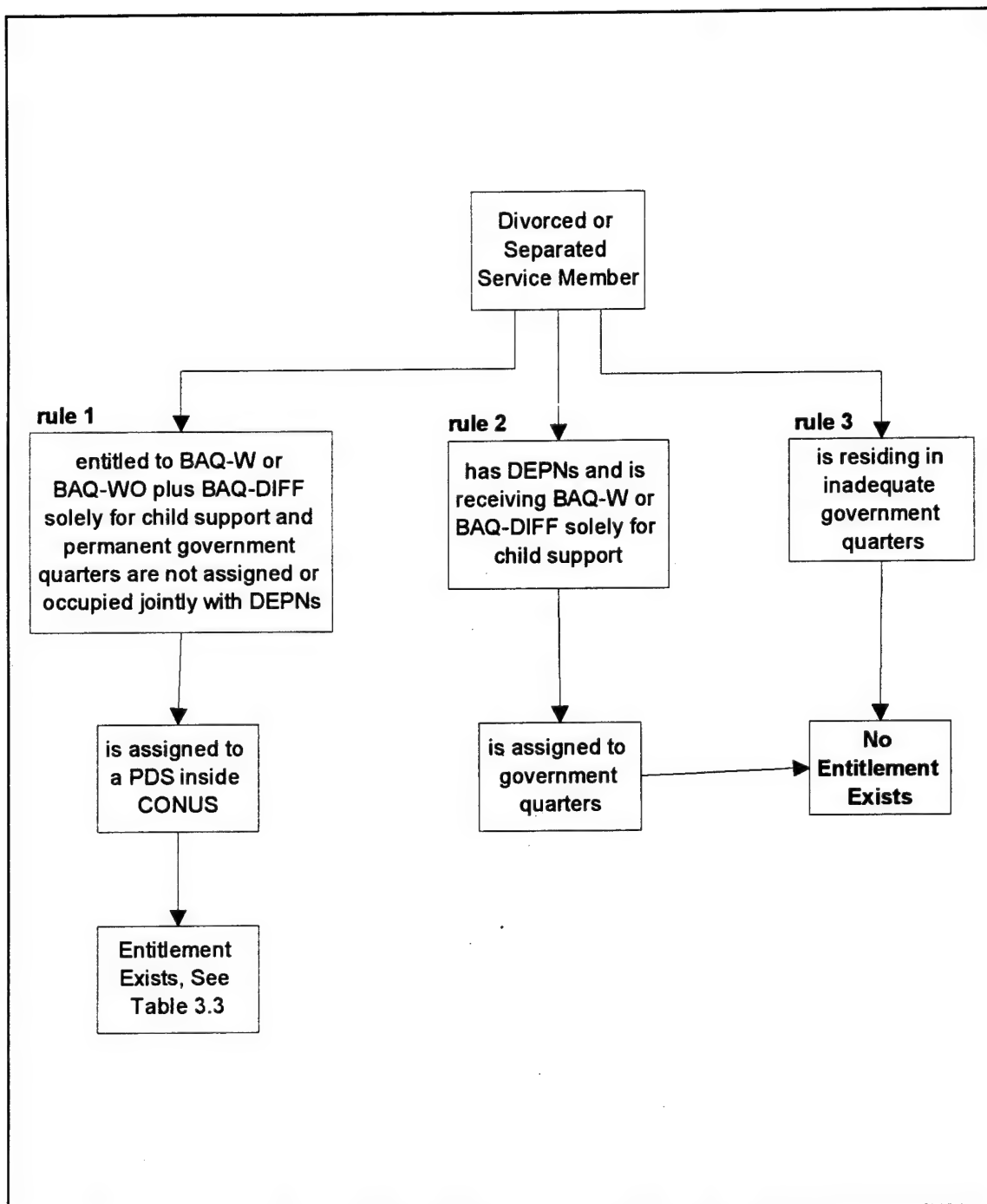


Figure 3.10. VHA Divorced or Separated. After Ref. [3].

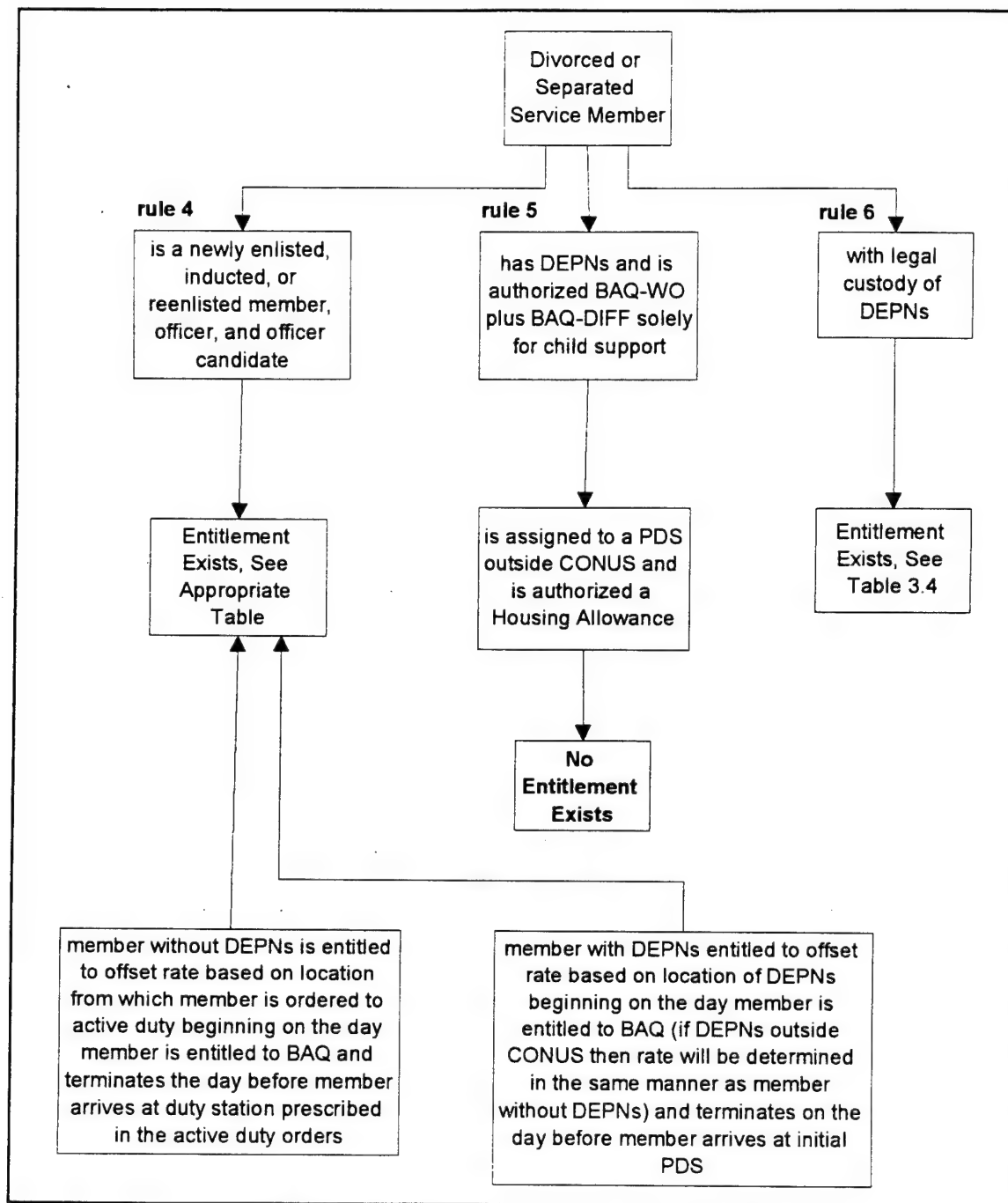


Figure 3.11. VHA Divorced or Separated. After Ref. [3].

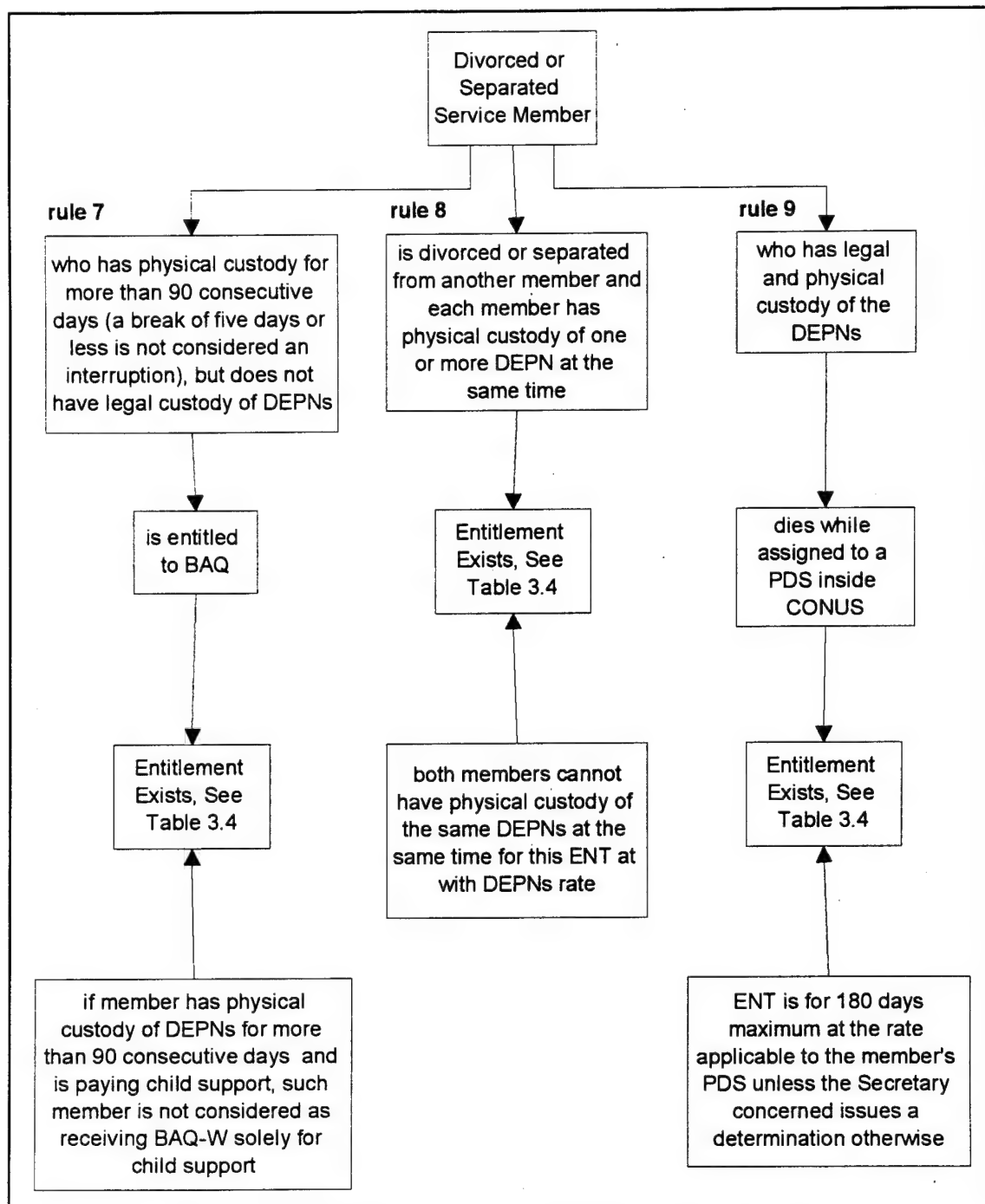


Figure 3.12. VHA Divorced or Separated. After Ref. [3].

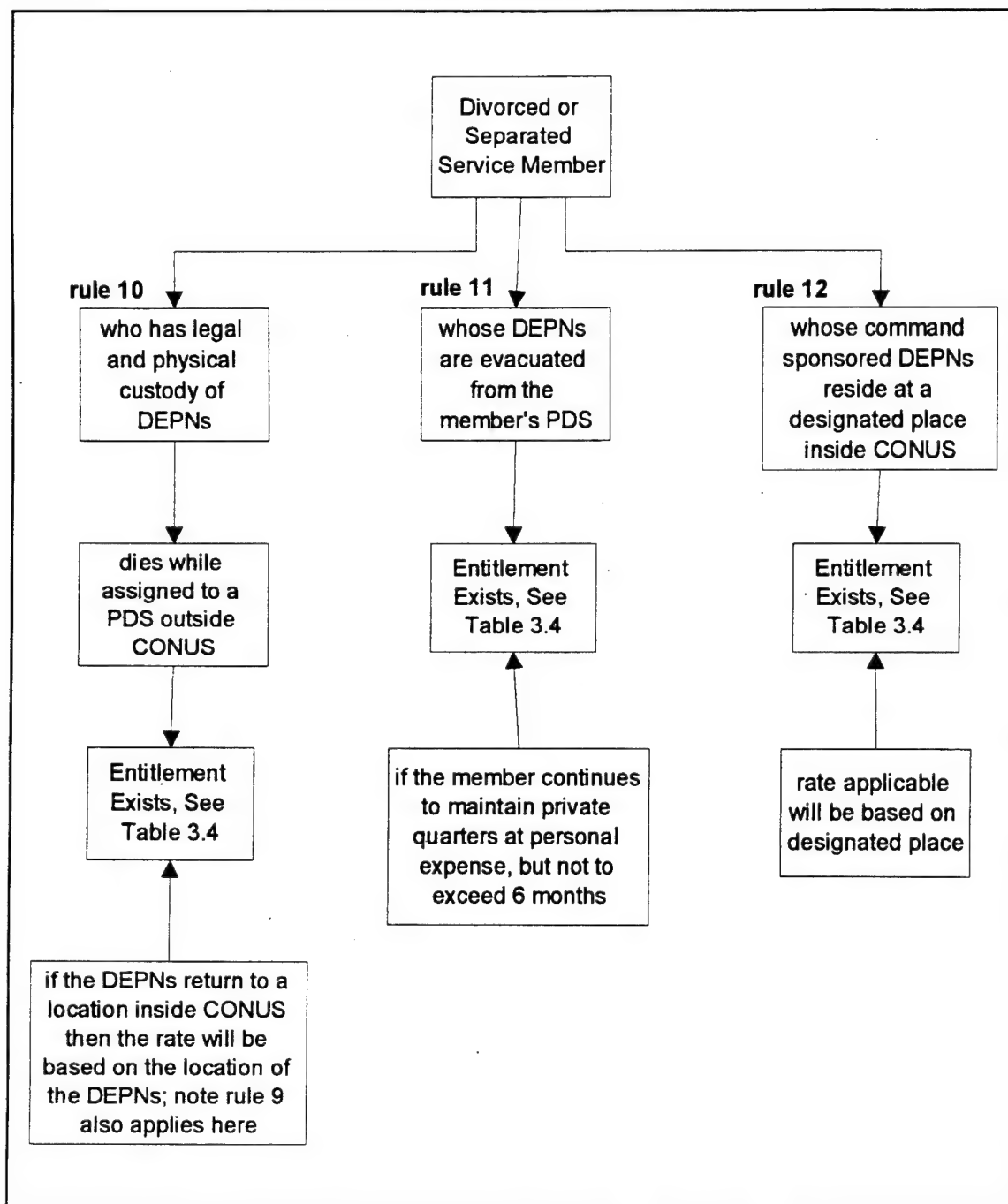


Figure 3.13. VHA Divorced or Separated. After Ref. [3].

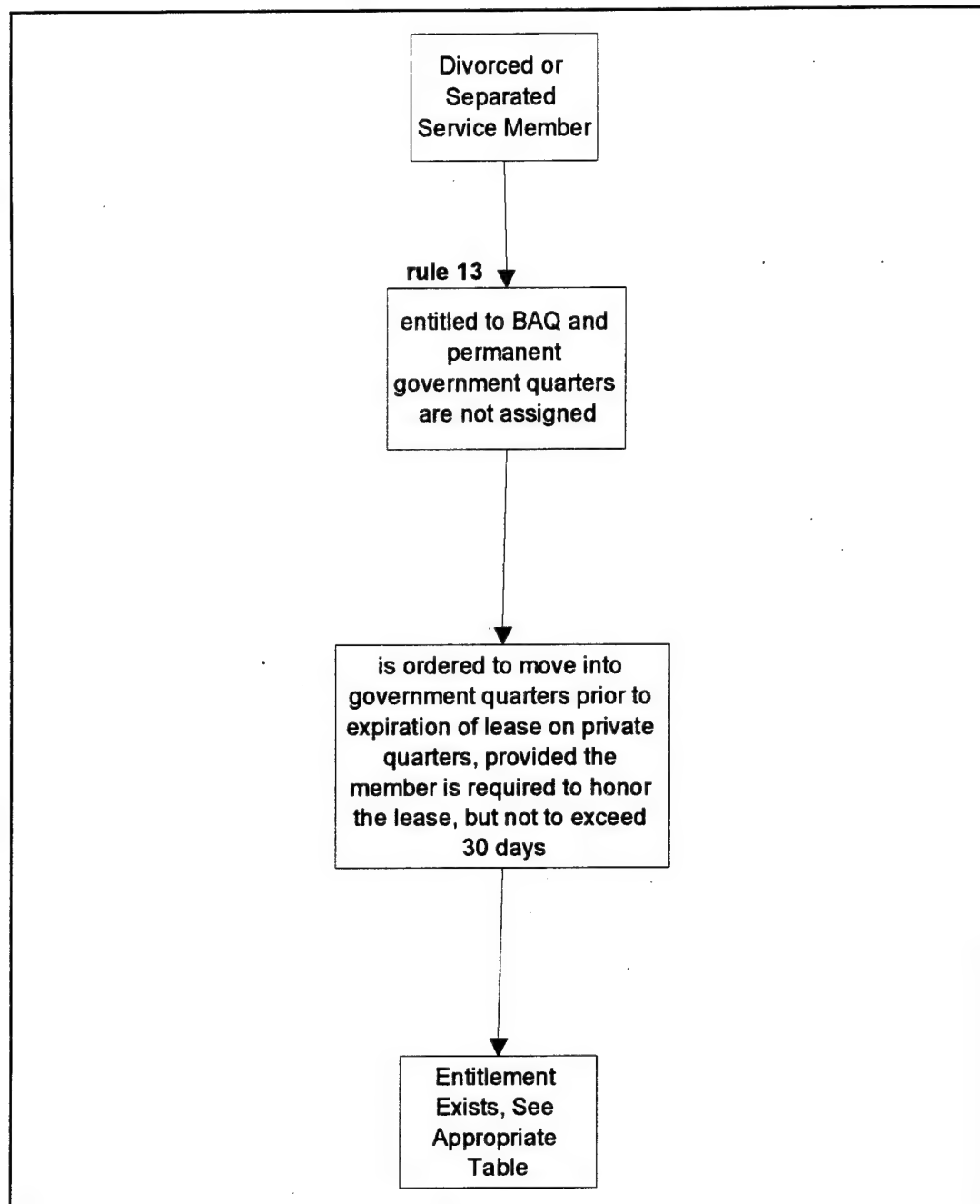


Figure 3.14. VHA Divorced or Separated. After Ref. [3].



#### **IV. OVERSEAS HOUSING ALLOWANCE**

OHA is an entitlement paid to service members on active duty who are assigned to permanent duty stations (PDS) outside the CONUS and live in privately leased or owned quarters. The purpose of OHA is to assist service members in paying their housing costs. Service members are required to complete an Individual Overseas Housing Allowance Report (DD Form 2367) in order to be paid OHA. The DD Form 2367 is then submitted through the appropriate channels for approval. The form is also used to change, correct, start, or stop the entitlement.

The amounts paid to service members are determined by the current pay grades in which they are serving, the utility/recurring maintenance allowance (U/RMA), and the rental ceiling (RC) for the locations of their PDS. The U/RMA and RC rates for each overseas location are decided by the Per Diem, Travel and Transportation Allowance Committee (PDTATAC). Appendix K of The JFTR [Ref. 3] lists all rates necessary for computing OHA. Currently, there are 70 countries and/or territories listed, which contain the rates for the cities and provinces. The rates are updated to reflect both decreases and increases as they may occur. Also, the amount paid to service members is based on their status with or without dependents. Service members with dependents are paid an amount greater than those without dependents.

There are two types of OHA payable to service members: a move in housing allowance (MIHA) and a monthly allowance. The MIHA is a fixed rate, one time payment made to members that covers the average costs of move-in expenses to make a dwelling habitable. MIHA also covers one time nonrefundable charges and security related expenses. The monthly allowance is calculated by comparing the sum of the member's rent (which cannot exceed the RC for the PDS) plus the U/RMA to the BAQ or Family Separation



Allowance - Type I (FSA-1) that the member is entitled to. The difference between the member's BAQ or FSA-1 and the sum becomes the member's authorized OHA.

When service members entitled to OHA reside with one or more sharer, the OHA payable to the members will be computed by adding the lesser of the member's prorated share of the rental expenses or the member's maximum RC for her/his pay grade and duty station to the prorated monthly U/RMA. The difference between the member's BAQ or FSA-1 and this sum becomes the member's authorized OHA.

DoD financial managers determine what amount of OHA a service member will receive. They are guided in this endeavor by Volume 1 of The JFTR [Ref. 3]. It governs travel and transportation allowances paid to service members. Chapter Nine in Volume 1 specifically covers OHA. Chapter Nine is a myriad of regulations, requirements, and rules. It is the foundation from which the financial management officer will determine what amount of OHA to pay service members. Here is where a critical review of the determination process for OHA will be conducted. All service members can be placed into three categories: single, married, and divorced or separated. Therefore, these categories are the parameters for this critical review.

#### **A. SINGLE**

Service members are categorized as single if they have never been married and have no dependents. Single service members are entitled to receive OHA at the without-dependents rate (OHA-WO) for the particular pay grade in which they are serving. For examples, as of 16 DEC 94 for a housing area in Okinawa, Japan and 1 JAN 95 for a housing area in Rota, Spain the U/RMA and RC rates by pay grade for OHA-WO are listed in Tables 4.1 and 4.2 [Ref. 3].

Housing Area, Okinawa, Japan  
Overseas Housing Allowance (in dollars)  
Without Dependents  
16 Dec 94

<u>PAY GRADE</u>	<u>U/RMA</u>	<u>RC</u>
O - 10	232.00	2183.00
O - 9	232.00	2183.00
O - 8	232.00	2183.00
O - 7	232.00	2183.00
O - 6	232.00	2183.00
O - 5	232.00	2183.00
O - 4	232.00	2183.00
O - 3	232.00	1363.00
O - 2	232.00	1272.00
O - 1	232.00	1181.00
O - 3E	232.00	2183.00
O - 2E	232.00	1363.00
O - 1E	232.00	1272.00
W - 5	232.00	2183.00
W - 4	232.00	2183.00
W - 3	232.00	1363.00
W - 2	232.00	1272.00
W - 1	232.00	1272.00
E - 9	232.00	1910.00
E - 8	232.00	1636.00
E - 7	232.00	1363.00
E - 6	232.00	1363.00
E - 5	232.00	1090.00
E - 4	232.00	792.00
E - 3	232.00	782.00
E - 2	232.00	782.00
E - 1	232.00	782.00

MIHA - \$956.00  
Climate Code - 3  
Exchange Rate - \$.010101  
Table 4.1.

Housing Area, Rota, Spain  
Overseas Housing Allowance (in dollars)  
Without Dependents  
1 Jan 95

<u>PAY GRADE</u>	<u>U/RMA</u>	<u>RC</u>
O - 10	168.00	936.00
O - 9	168.00	936.00
O - 8	168.00	936.00
O - 7	168.00	936.00
O - 6	168.00	936.00
O - 5	168.00	936.00
O - 4	168.00	835.00
O - 3	168.00	769.00
O - 2	168.00	734.00
O - 1	168.00	584.00
O - 3E	168.00	835.00
O - 2E	168.00	769.00
O - 1E	168.00	734.00
W - 5	168.00	835.00
W - 4	168.00	835.00
W - 3	168.00	769.00
W - 2	168.00	734.00
W - 1	168.00	734.00
E - 9	168.00	668.00
E - 8	168.00	547.00
E - 7	168.00	545.00
E - 6	168.00	536.00
E - 5	168.00	536.00
E - 4	168.00	527.00
E - 3	168.00	501.00
E - 2	168.00	501.00
E - 1	168.00	501.00

MIHA - \$476.00  
Climate Code - 2  
Exchange Rate - \$.007424  
Table 4.2.

The following flow chart (Figure 4.1) stipulates the rules applicable in determining payment of OHA-WO to single service members.

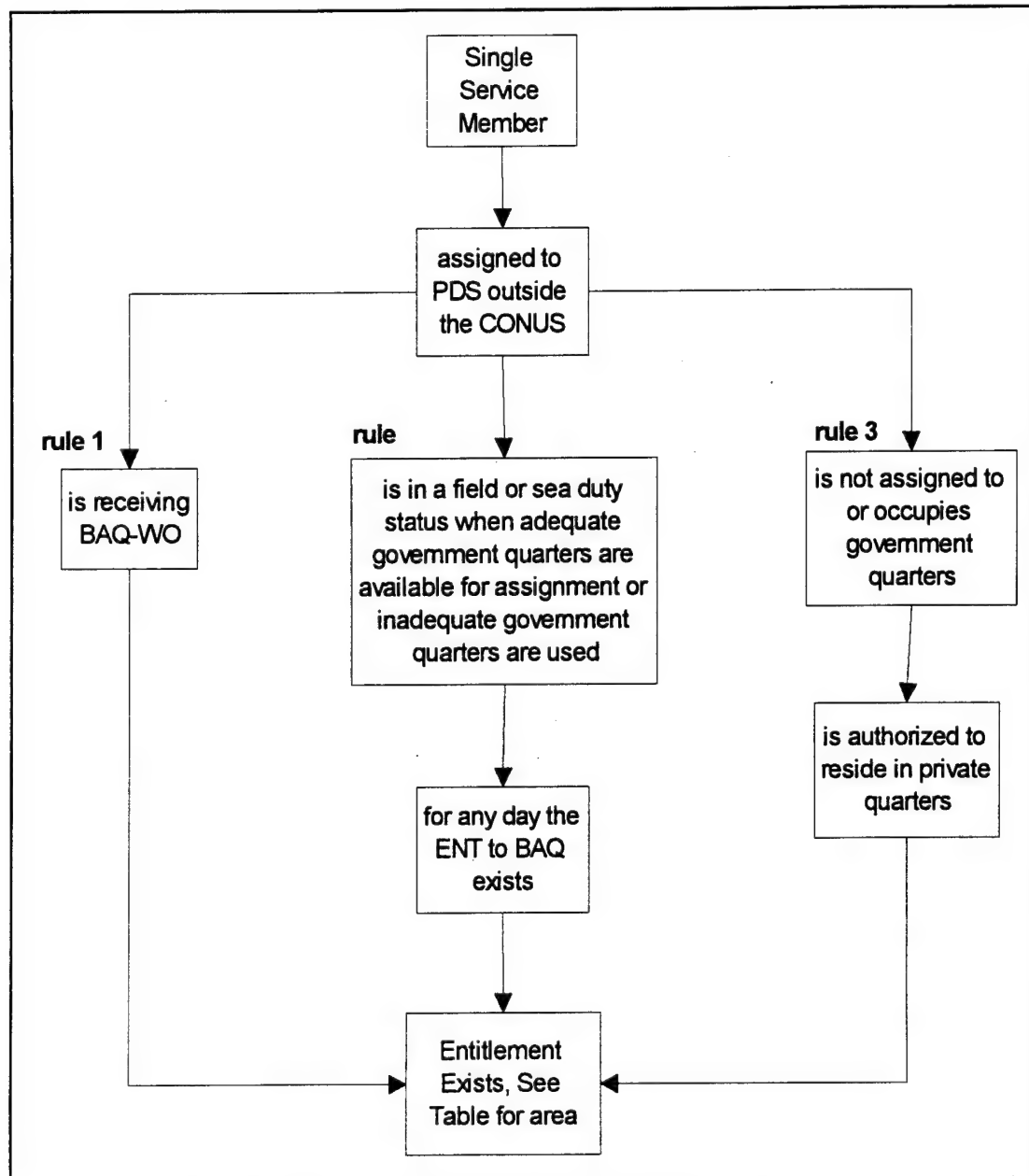


Figure 4.1. OHA Single. After Ref. [3].

## **B. MARRIED**

Service members are categorized as married if they have a lawful spouse and a marriage contracted in accordance with the laws for the jurisdiction in which it was performed. This category includes both members married to members and members married to civilians. Married service members are entitled to receive OHA at the with-dependents rate (OHA-W) for the particular pay grade in which they are serving. However, members married to members, who have no other dependents, are not entitled to OHA-W. They may be paid OHA-WO if otherwise entitled. For examples, as of 16 DEC 94 for a housing area in Okinawa, Japan and as of 1 JAN 95 for a housing area in Rota, Spain, the U/RMA and RC rates by pay grade for OHA-W are listed in Tables 4.3 and 4.4 [Ref. 3].

The following flow charts (Figures 4.2 through 4.4) stipulate the number of rules applicable in determining payment of OHA-W to married service members.

Housing Area, Okinawa, Japan  
Overseas Housing Allowance (in dollars)  
With Dependents  
16 Dec 94

<u>PAY GRADE</u>	<u>U/RME</u>	<u>RC</u>
O - 10	232.00	2425.00
O - 9	232.00	2425.00
O - 8	232.00	2425.00
O - 7	232.00	2425.00
O - 6	232.00	2425.00
O - 5	232.00	2425.00
O - 4	232.00	2425.00
O - 3	232.00	1514.00
O - 2	232.00	1413.00
O - 1	232.00	1312.00
O - 3E	232.00	2425.00
O - 2E	232.00	1514.00
O - 1E	232.00	1413.00
W - 5	232.00	2425.00
W - 4	232.00	2425.00
W - 3	232.00	1514.00
W - 2	232.00	1413.00
W - 1	232.00	1413.00
E - 9	232.00	2122.00
E - 8	232.00	1818.00
E - 7	232.00	1514.00
E - 6	232.00	1514.00
E - 5	232.00	1211.00
E - 4	232.00	880.00
E - 3	232.00	869.00
E - 2	232.00	869.00
E - 1	232.00	869.00

MIHA - \$956.00  
Climate Code - 3  
Exchange Rate - \$.010101  
Table 4.3.

Housing Area, Rota, Spain  
Overseas Housing Allowance (in dollars)  
With Dependents  
1 Jan 95

<u>PAY GRADE</u>	<u>U/RME</u>	<u>RC</u>
O - 10	168.00	1040.00
O - 9	168.00	1040.00
O - 8	168.00	1040.00
O - 7	168.00	1040.00
O - 6	168.00	1040.00
O - 5	168.00	1040.00
O - 4	168.00	928.00
O - 3	168.00	854.00
O - 2	168.00	816.00
O - 1	168.00	649.00
O - 3E	168.00	928.00
O - 2E	168.00	854.00
O - 1E	168.00	816.00
W - 5	168.00	928.00
W - 4	168.00	928.00
W - 3	168.00	854.00
W - 2	168.00	816.00
W - 1	168.00	816.00
E - 9	168.00	742.00
E - 8	168.00	608.00
E - 7	168.00	605.00
E - 6	168.00	595.00
E - 5	168.00	595.00
E - 4	168.00	586.00
E - 3	168.00	557.00
E - 2	168.00	557.00
E - 1	168.00	557.00

MIHA - \$476.00  
Climate Code - 2  
Exchange Rate - \$.007424  
Table 4.4.

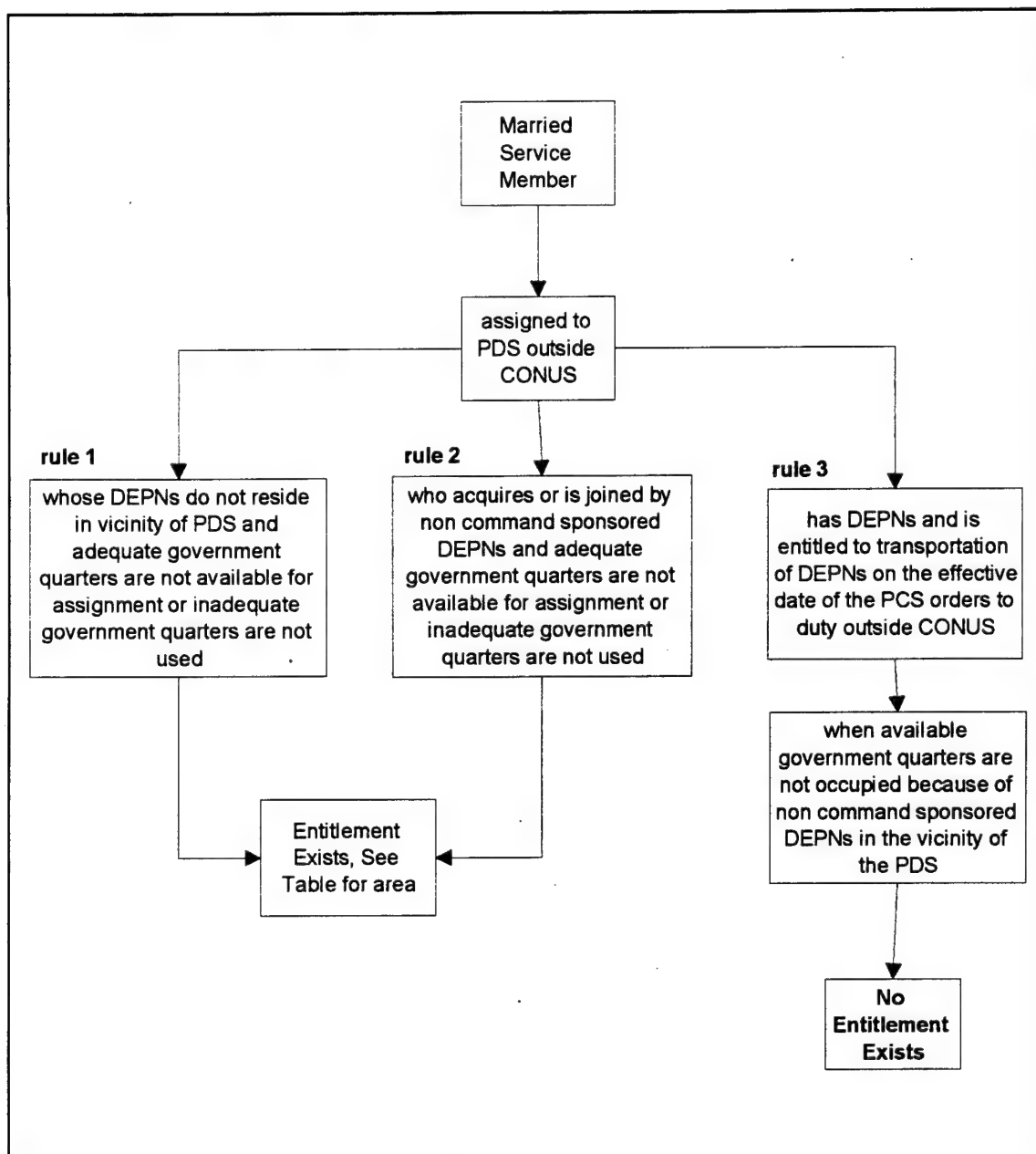


Figure 4.2. OHA Married. After Ref. [3].



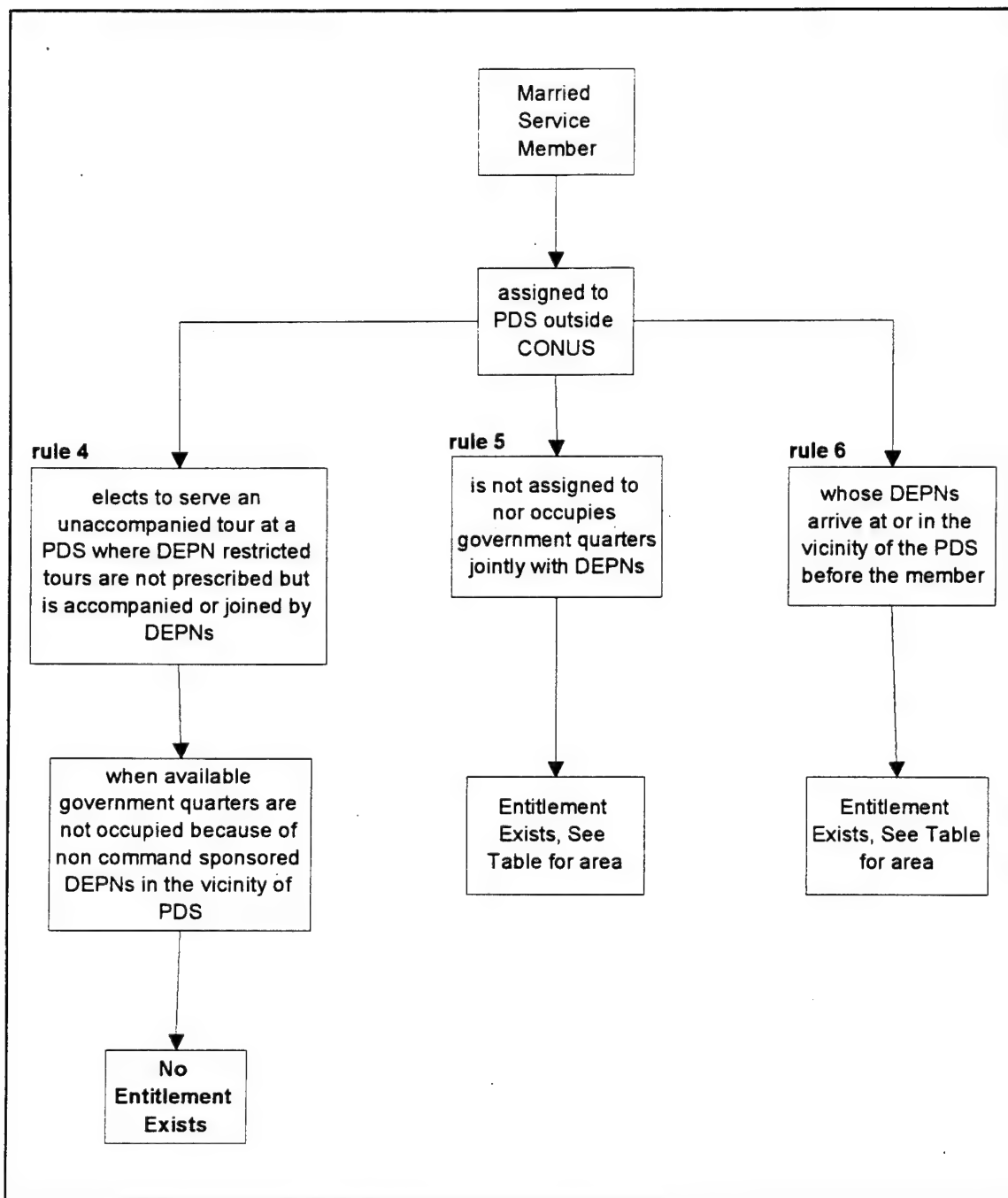


Figure 4.3. OHA Married. After Ref. [3].

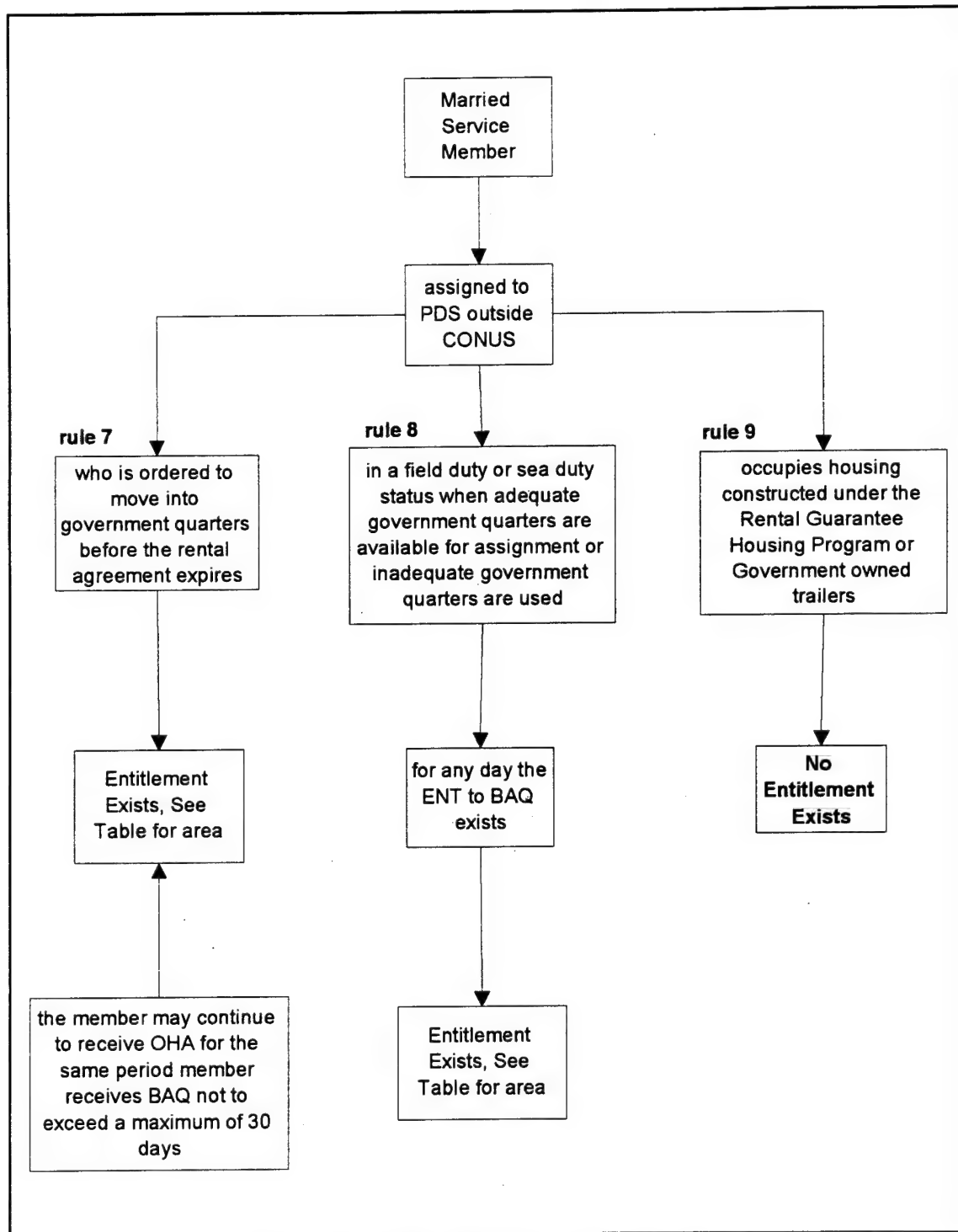


Figure 4.4. OHA Married. After Ref. [3].

### **C. DIVORCED OR SEPARATED**

Service members are categorized as divorced or separated if they have by legal and binding means dissolved their marriage or if they have by a legally binding agreement separated from their spouse. This includes legal written agreements, court decrees, judgements, and orders. Divorced or separated service members are entitled to receive OHA at either the OHA-WO or OHA-W rates for the particular pay grade in which they are serving. Again, refer to Tables 4.1 through 4.4 for these rates.

The following flow charts (Figures 4.5 and 4.6) stipulate the number of rules applicable in determining payment of either OHA-WO or OHA-W to divorced or separated service members.

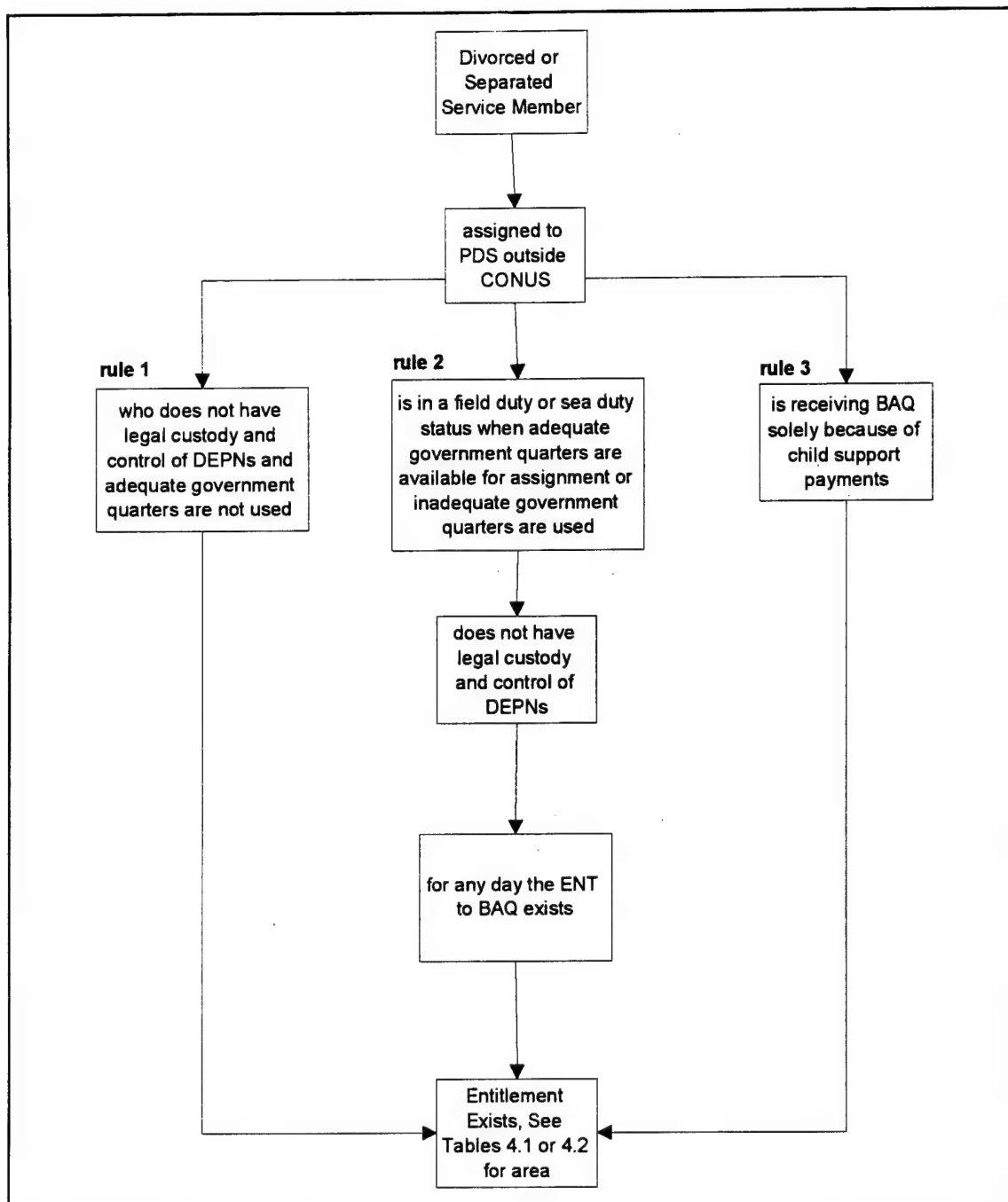


Figure 4.5. OHA Divorced or Separated. After Ref. [3].

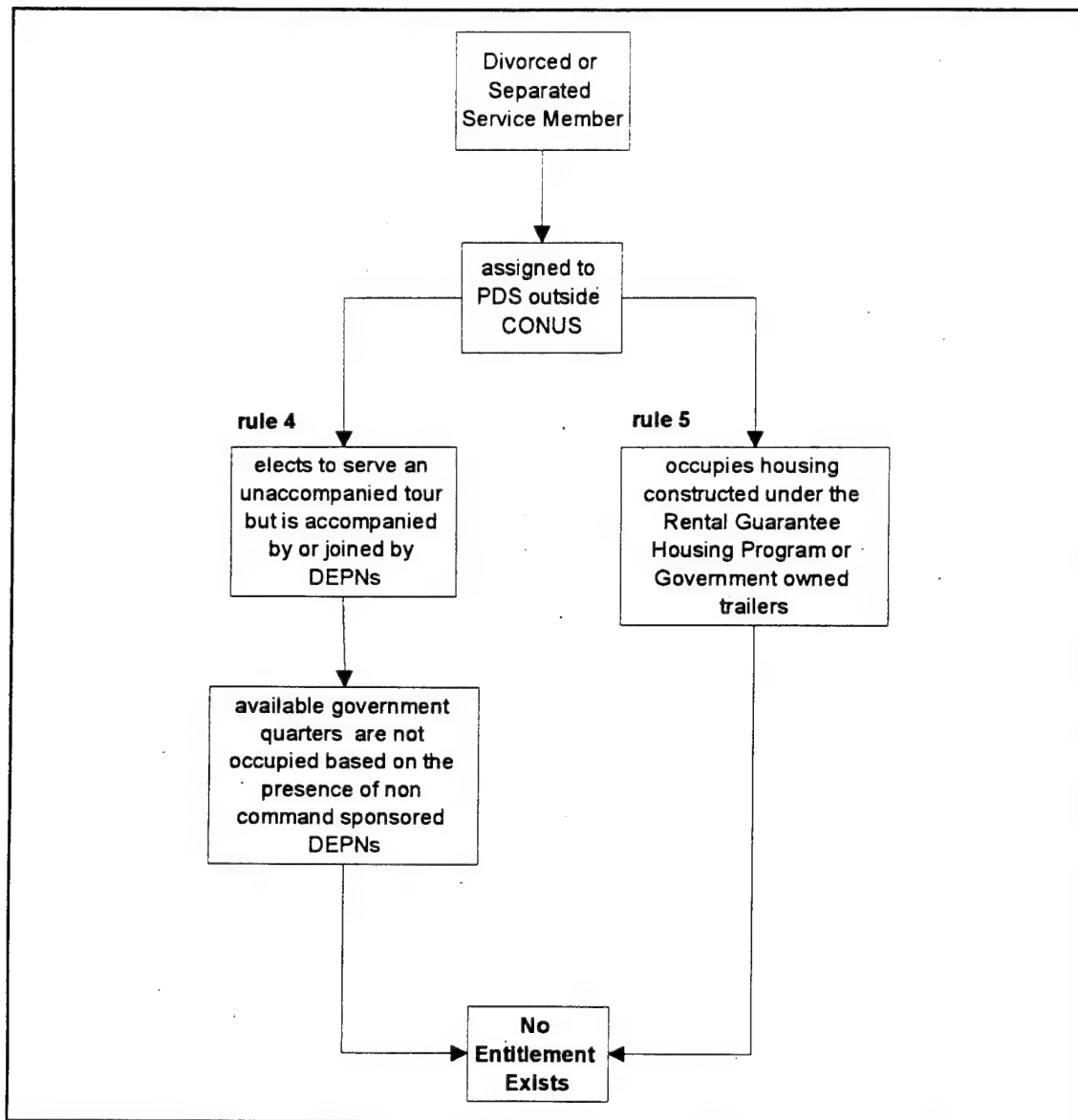


Figure 4.6. OHA Divorced or Separated. After Ref. [3].

## **V. STREAMLINING THE DETERMINATION PROCESSES**

Now that the rules for BAQ, VHA, and OHA have been diagramed into flow charts, the next step is to streamline the determination processes for each entitlement. Each rule, for all three allowances, is critically reviewed for the three status categories, single, married, and divorced or separated. Here the purpose is to simplify the determination processes by consolidating the rules within each entitlement.

The rules within each entitlement that lead to payment of an allowance conclude at a specific table. The tables contain the maximum rates payable to a particular category of service members. In simplifying the determination processes, the rules are first sorted by their reference to a particular rate table for payment, by their determination that no entitlement exists, or by their determination that both possibilities exist. For example, rules 2 and 3 in Figure 2.1 both lead to payments found in Table 2.1. After sorting, the characteristics of each rule are reviewed for similarities that may facilitate consolidation. For example, rules 11 and 12 in Figure 2.6 have a shared characteristic that centers around a hospital. If a rule cannot be consolidated through this process, it will remain unchanged.

Also, it is important to note that in both sorting and consolidating, no rule is altered in any fashion that would lead to a change in its intent as prescribed in the DoD Military Pay and Allowances Entitlements Manual [Ref. 2] and The Joint Federal Travel Regulations [Ref. 3]. That means this streamlining process does not change any service member's entitlement to BAQ, VHA, or OHA that presently exists nor does it create any additional entitlements to BAQ, VHA, or OHA. Thus, this streamlining process does not alter the current payments of entitlements. It is cost-neutral for both the DoD and the service members, although it could save the DoD some administrative costs.

## **A. BAQ**

Tables 2.1 through 2.4 list the rates applicable for payment of BAQ to service members. Single service members (SSMs) not assigned to government quarters are only entitled to the rates in Table 2.1, while SSMs assigned to single type government quarters (STGQ) are only entitled to the rates in Table 2.2. Married service members (MSMs), including members married to members, may be entitled to the rates in Tables 2.1 through 2.3, and divorced or separated service members (DSSMs) may be entitled to any of the rates in Tables 2.1 through 2.4.

An important factor in the 29 rules in the determination process for payment of BAQ to SSMs is whether or not the members are assigned to or occupy government quarters other than temporarily. It is a common factor in 19 out of 39 situations that result in no payment of the BAQ-WO rates because the members are assigned to or occupy adequate government quarters, other than temporarily. Not surprisingly, the most common condition throughout the 29 rules that leads to payment of BAQ-WO rates is the nonassignment to adequate government quarters. In fact, only rules 16, 20, and 21 (Figures 2.9 and 2.11) have no condition related to government quarters. As a result, the determination process for payment of BAQ-WO can be streamlined to just five rules. Rules 16, 20, and 21 would remain unchanged and the other 26 rules would be consolidated into two rules diagramed in Figure 5.1.

Some SSMs are entitled to receive BAQ-P. The most common condition throughout the eight rules that lead to payment of BAQ-P rates is the assignment to STGQ or the like. In fact, of the three remaining rules that lead to no payment of BAQ-P rates, only rule 1 (Figure 2.17) has no condition related to STGQ. So, the 11 rules in the determination process for payment of BAQ-P can be streamlined into two conditions that can be

consolidated with the two new rules concerning payment of BAQ-WO in Figure 5.1. This is possible because SSMs entitled to basic pay (salary) are entitled to either BAQ-WO or BAQ-P.

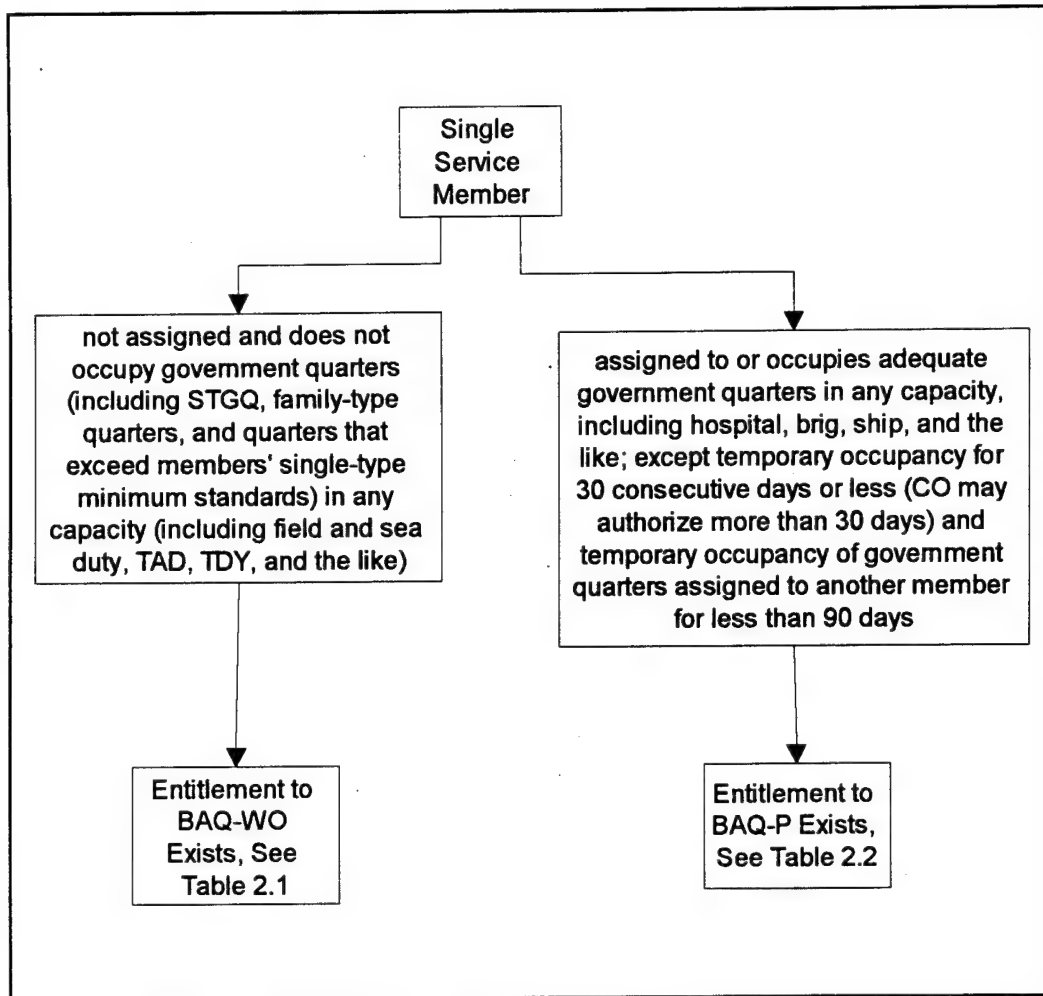


Figure 5.1. BAQ Single.

Streamlining the 17 rules in the determination processes for MSMs has two approaches. The first approach deals with the 14 rules concerning payment of BAQ-W. The most common condition throughout the eight rules for MSMs that lead to payment of the



BAQ-W rates is whether or not the MSMs are receiving BAQ-W at their PDS prior to their entry into one of several types of duty status. Three of the six remaining rules have a common factor of no entitlement to BAQ at the PDS. One rule, rule 10 (Figure 2.22), has a singular condition. Therefore, the determination process for the payment of BAQ-W can be streamlined to just five rules. Rule 10 would remain unchanged and the remaining 13 rules would be consolidated into the four rules diagrammed in Figures 5.2 and 5.3.

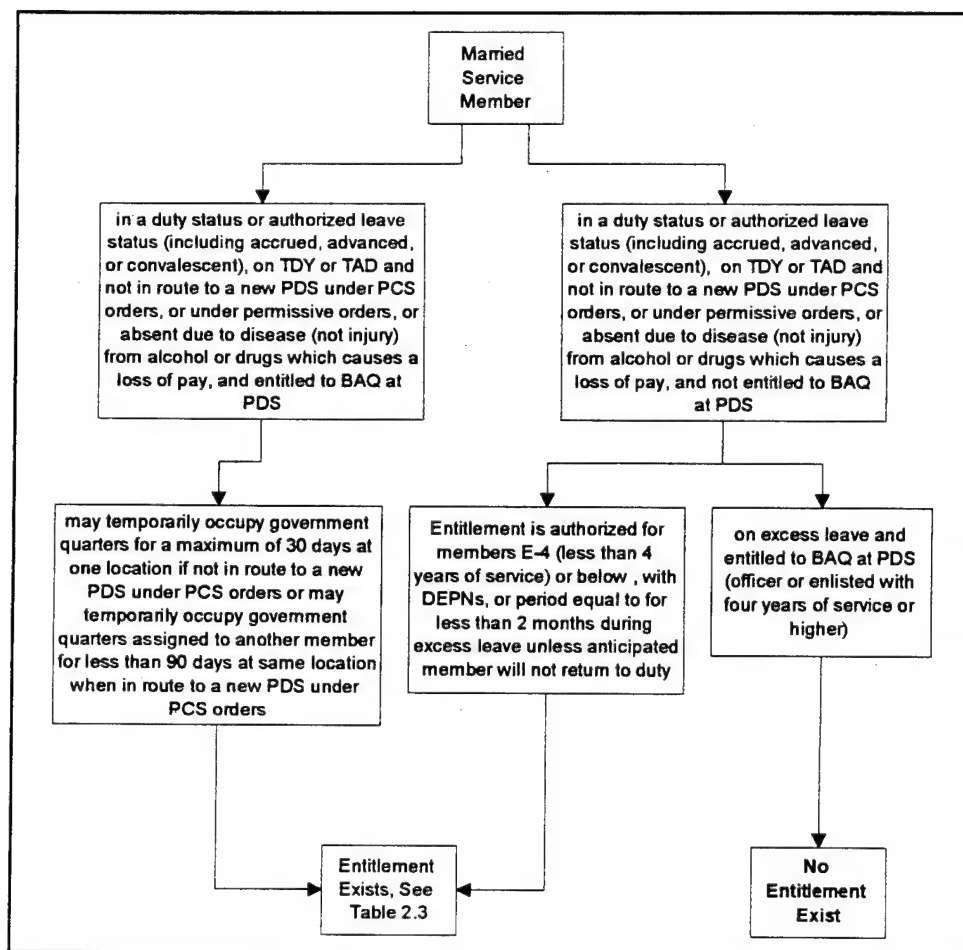


Figure 5.2. BAQ Married.

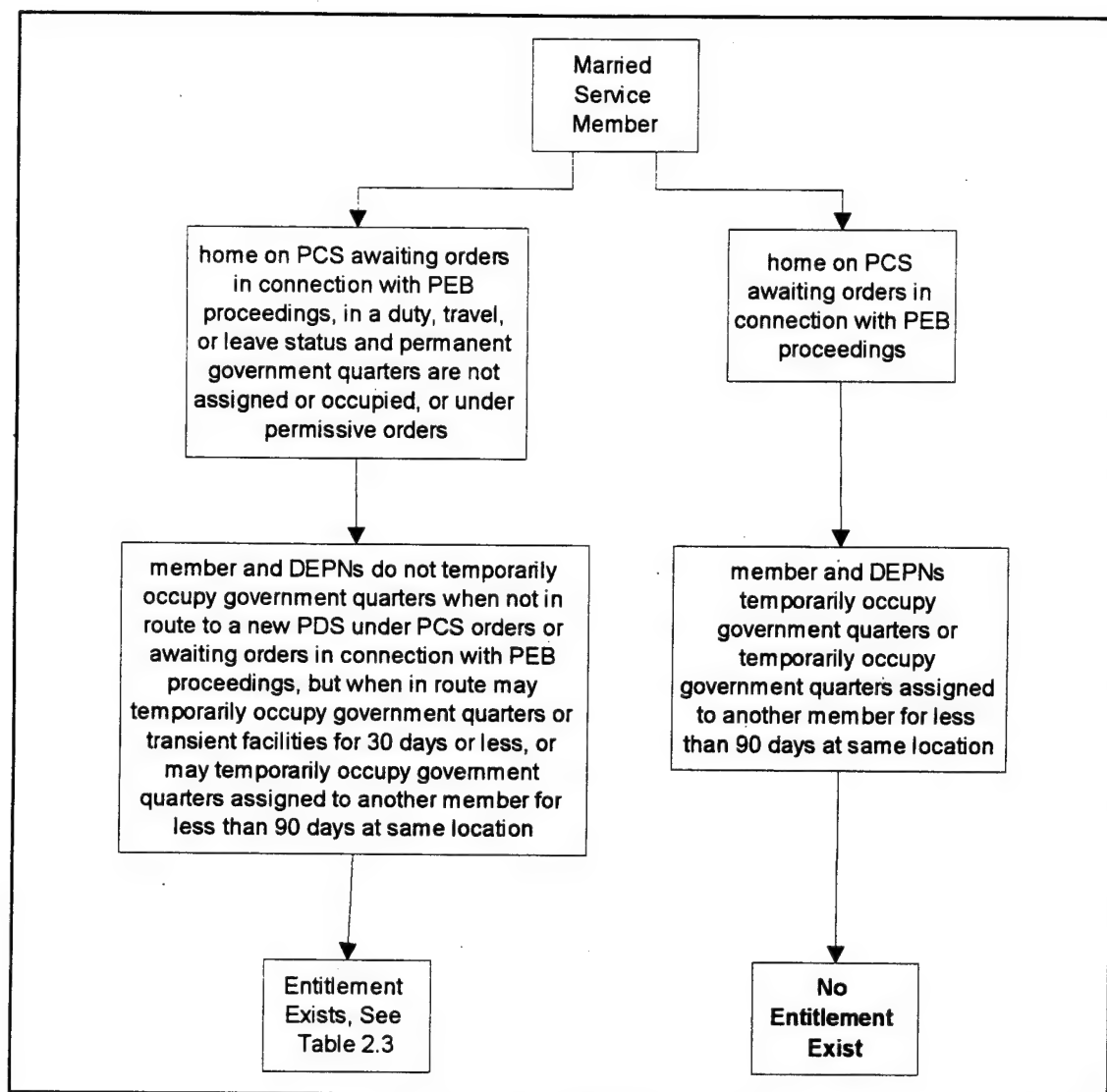


Figure 5.3. BAQ Married.

The second approach deals with the payment of BAQ-P. Two of the three rules that leads to payment of BAQ-P are based on a MSMs assignment to STGQ. The remaining rule, rule 3 (Figure 2.24) pertains to assignment on sea duty. So, the determination process for payment of BAQ-P can be streamlined to two rules. Figure 5.4 outlines the two rules.

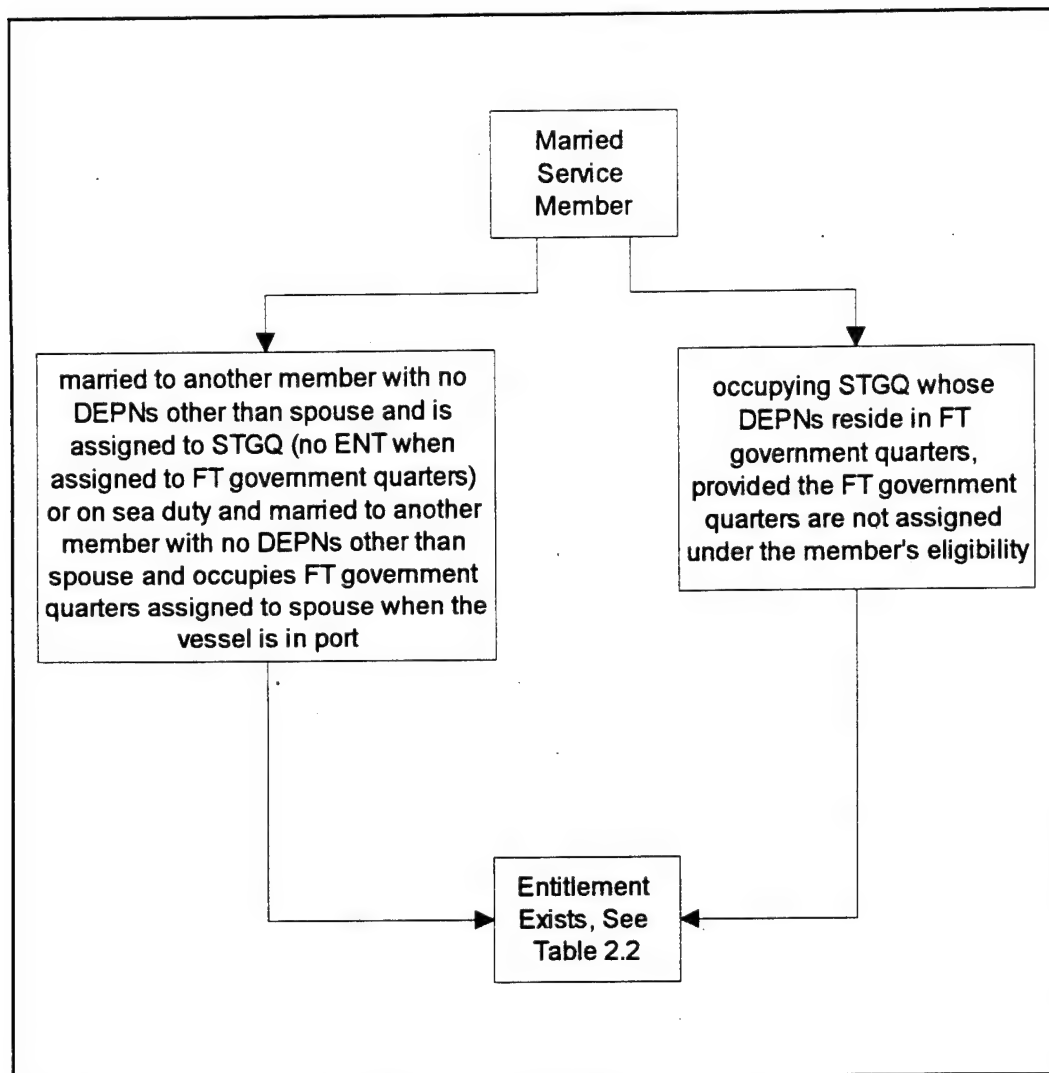


Figure 5.4. BAQ Married.

Finally, the determination process for payment of BAQ to DSSMs is reviewed for possible streamlining. The determination process for payment of the BAQ rates listed in Tables 2.1 and 2.3 contains 13 rules, with 12 of the 13 connected by a legal order or requirement to pay child support and 10 of the 13 connected by a member-to-member relationship in which a requirement to pay child support is involved. The one excluded rule,

rule 1 (Figure 2.25), deals with payment of BAQ when no required child support arrangement exists. Here, the determination process can be streamlined by consolidating rules 4 through 13 (Figures 2.26 through 2.28) while leaving rules 1 through 3 unchanged (Figure 2.25). Figure 5.5 depicts the consolidation of the rules.

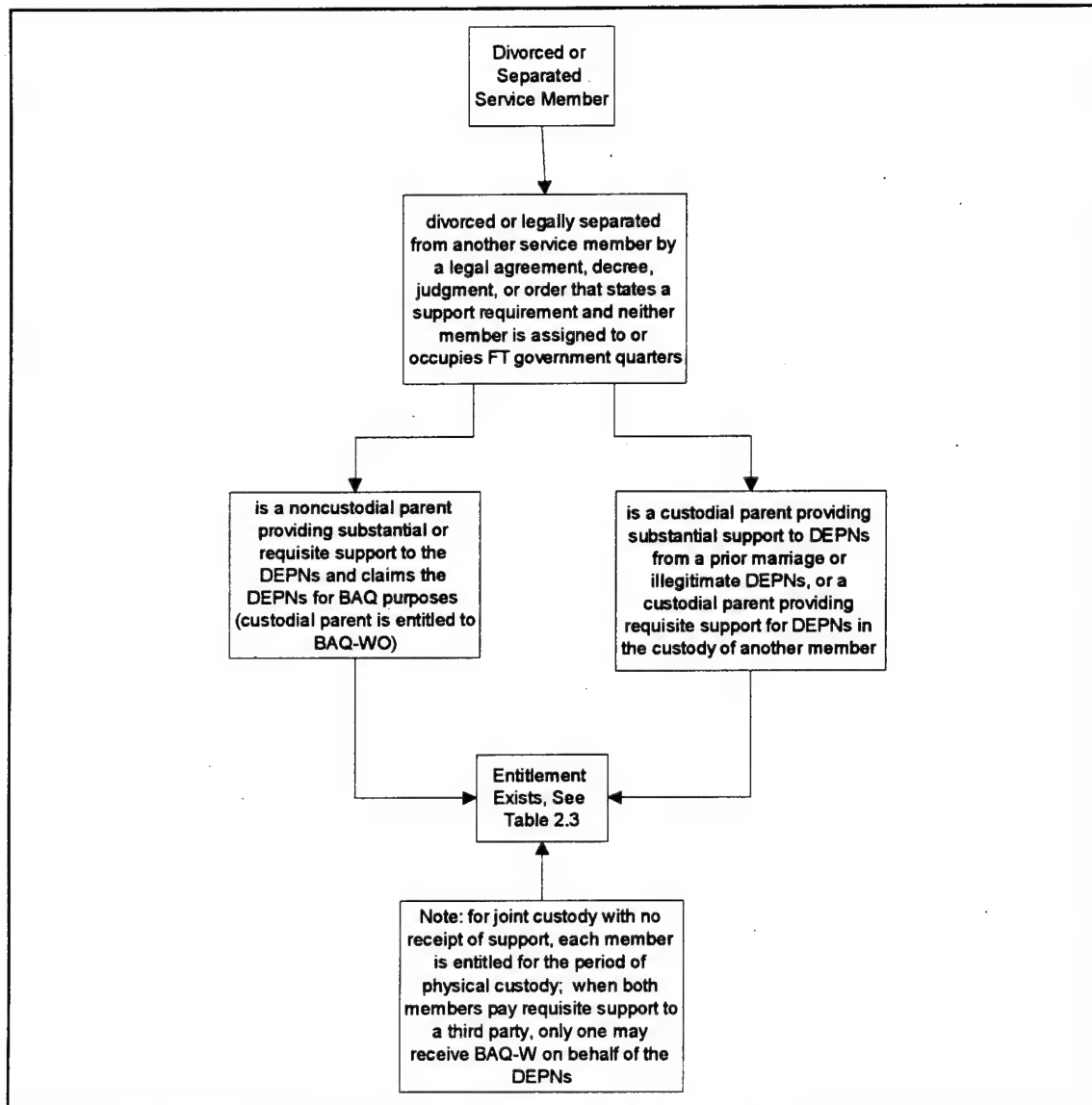


Figure 5.5. BAQ Divorced or Separated.

The rules in the determination process for payment of the BAQ-DIFF rates in Table 2.4 to DSSMs remain unchanged as shown in Figure 2.29.

## **B. VHA**

The payment of any rate of VHA (see Tables 3.3 and 3.4) to service members is conditioned upon their entitlement to BAQ and whether or not they are assigned permanently to government quarters. This is the common theme for all 38 rules in the determination processes for payment of VHA.

There are five rules in the determination process for payment of VHA-WO to SSMs. Four of the five lead to payment and rule 3 is the lone rule that leads to no entitlement. Therefore, rules 1, 2, 4, and 5 (Figures 3.1 and 3.2) are targets for consolidation and rule 3 remains unchanged. Figure 5.6 illustrates the consolidation.

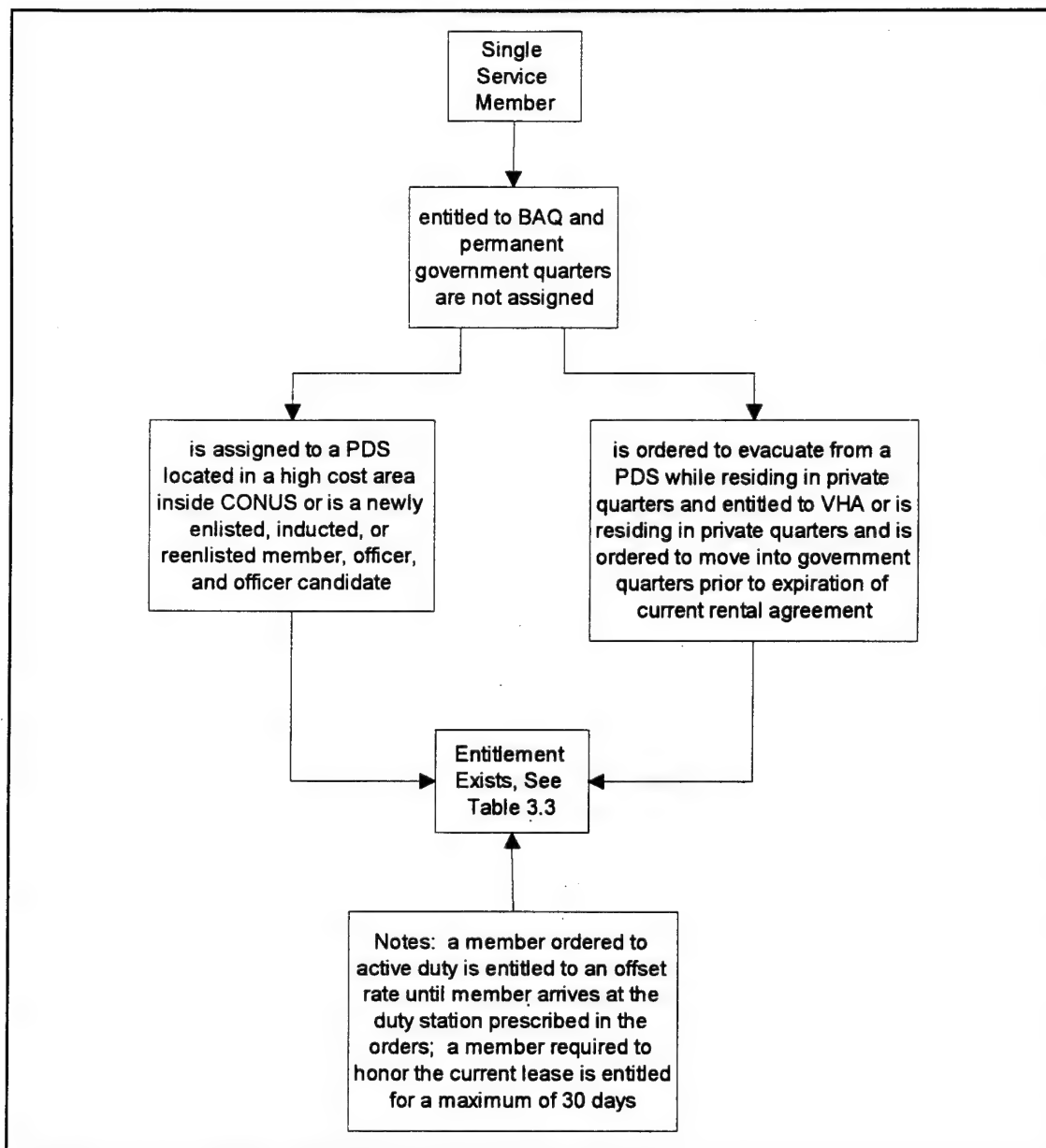


Figure 5.6. VHA Single.

For MSMs, the determination process contains 20 rules. Of the 20 rules, six are centered around overseas tours of duty by MSMs, four pairs have a shared connection, and

six others have singular conditions. Through consolidation, the 20 rules in the determination process were streamlined to eight. Figures 5.7, 5.8, 5.9, and 5.10 depict the eight rules.

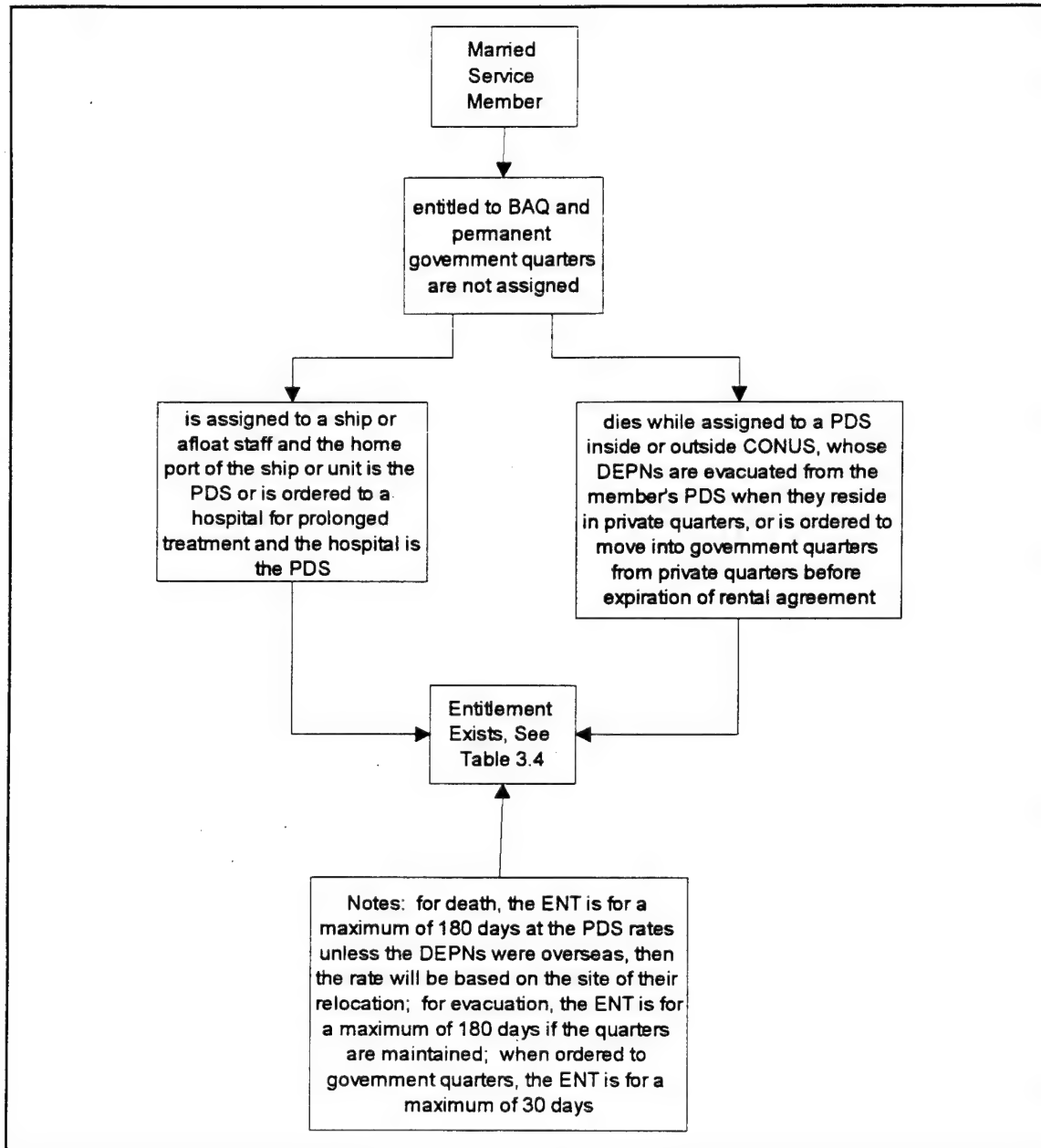


Figure 5.7. VHA Married.

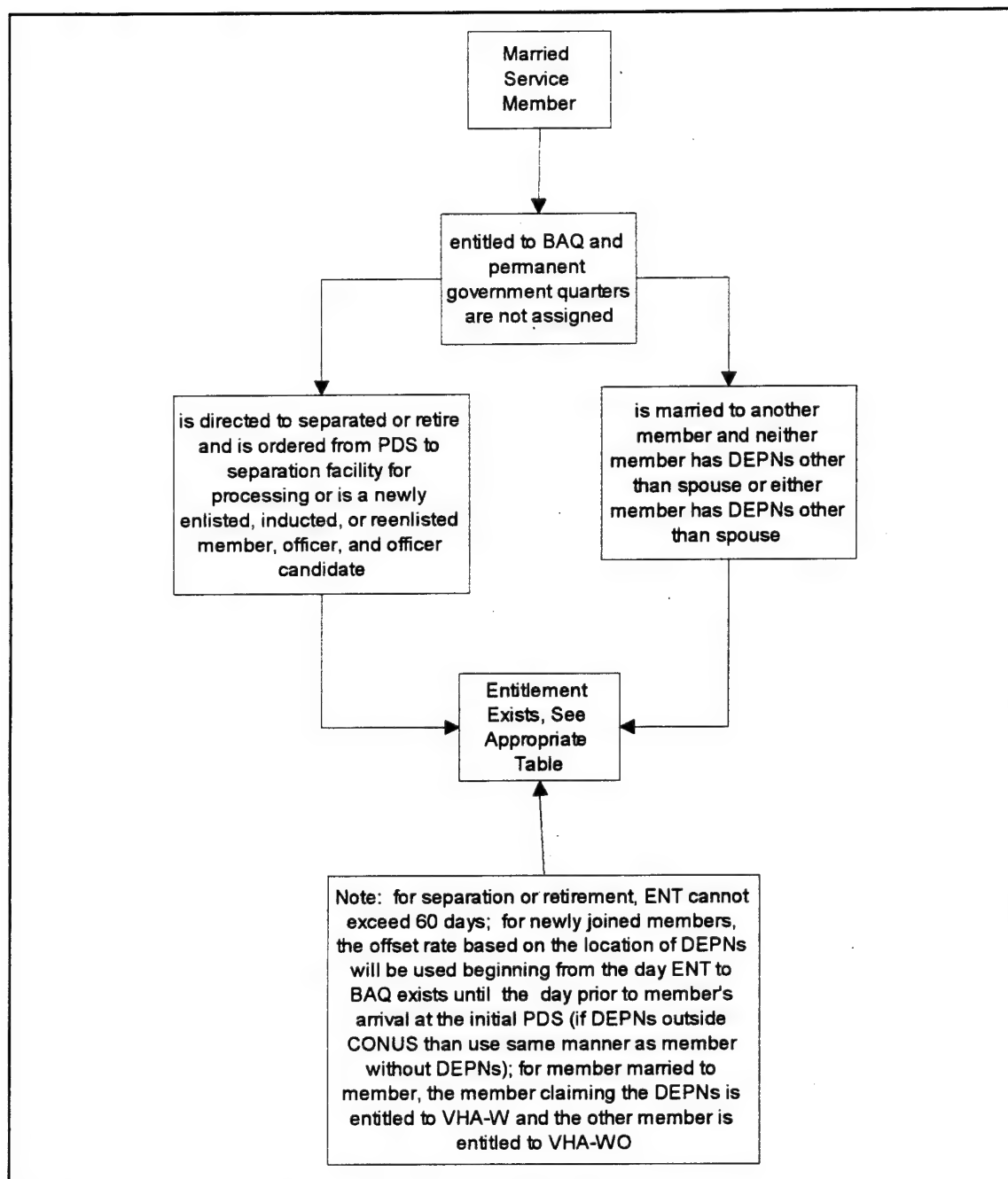


Figure 5.8. VHA Married.



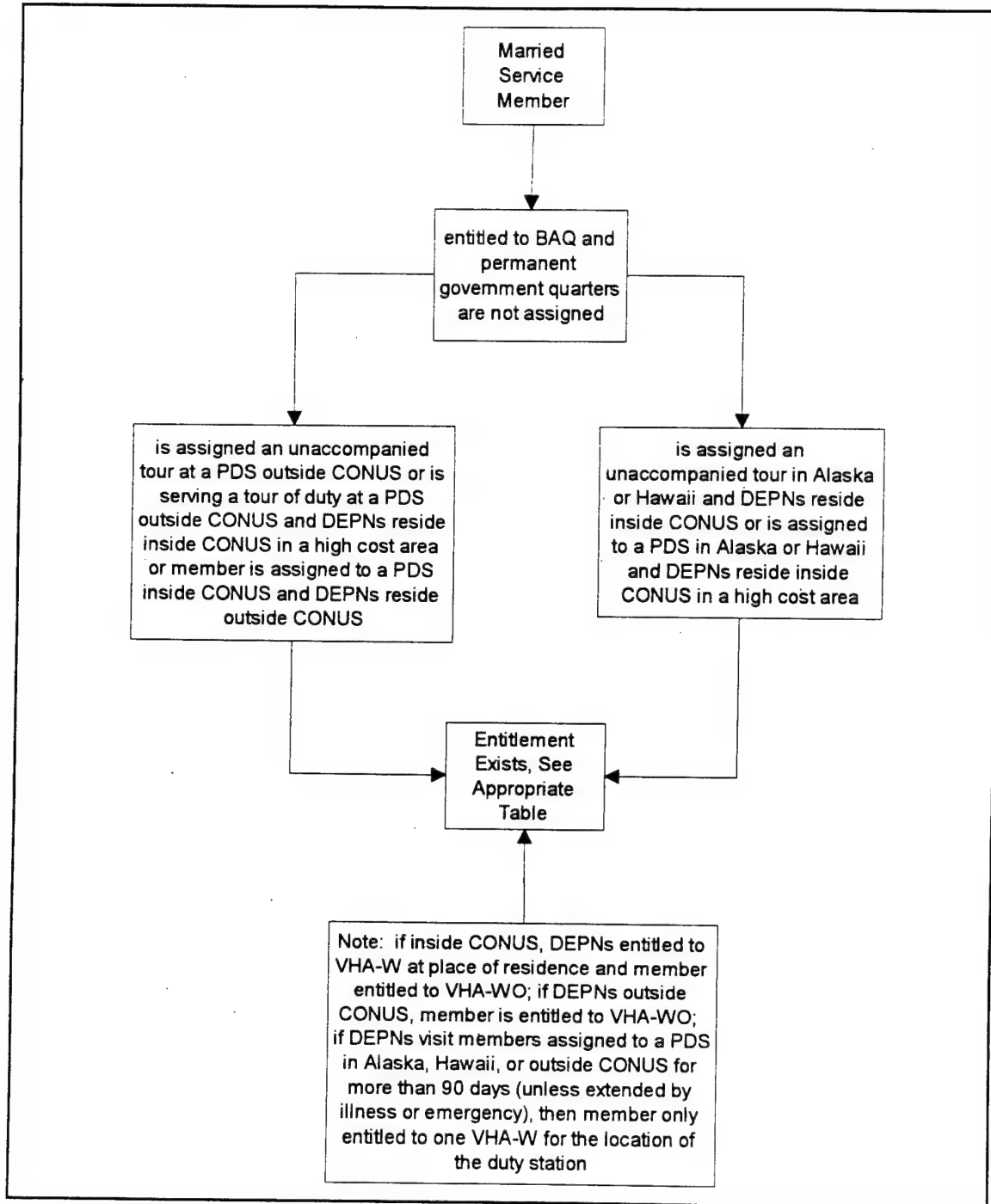


Figure 5.9. VHA Married.

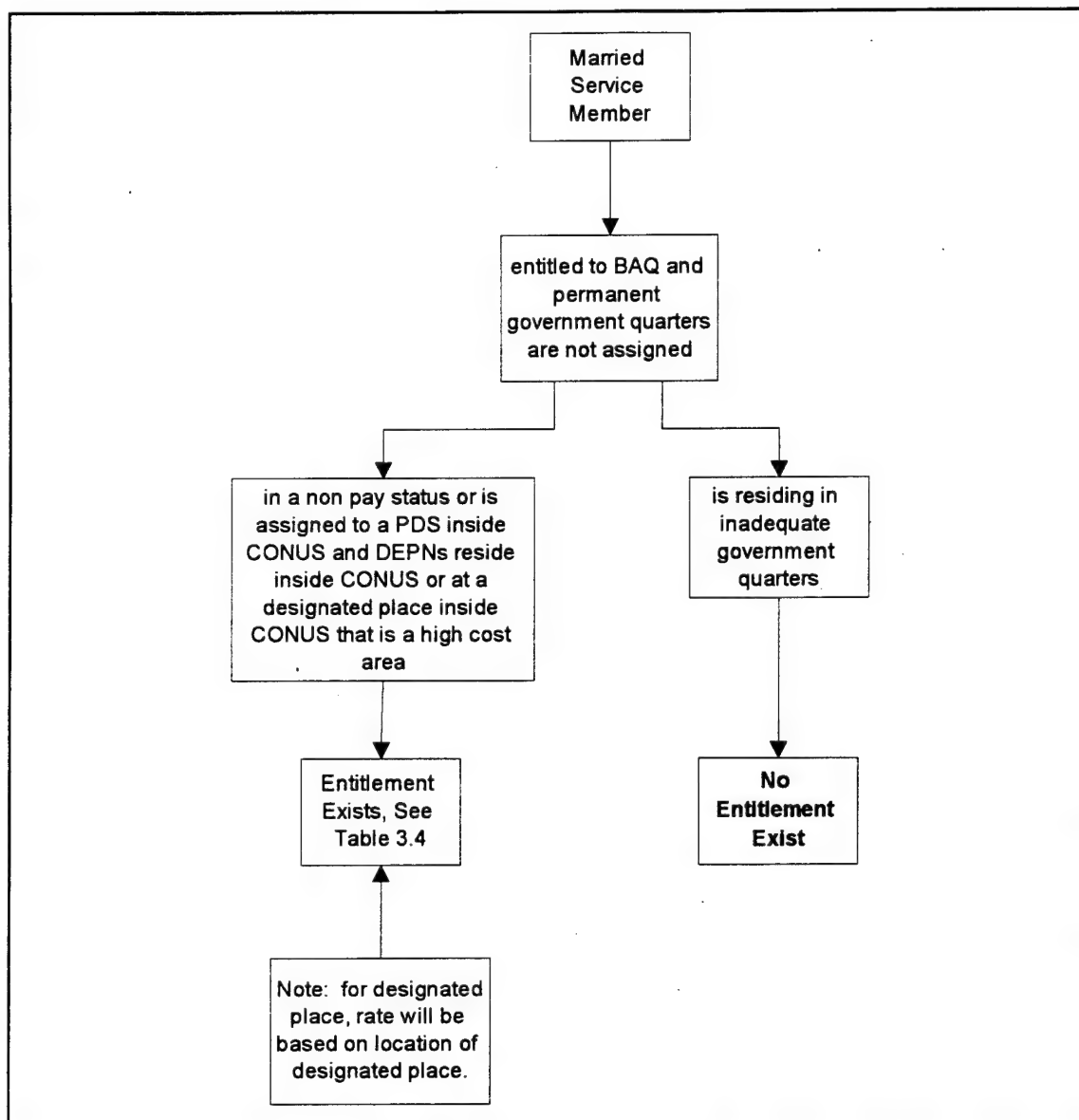


Figure 5.10. VHA Married.

Finally, there are 13 rules that govern the determination process for payment of VHA to DSSMs. These rules lead to payment of either VHA-W or VHA-WO. Over half of the rules (eight) deal with payment of child support or legal and physical custody of dependents.

The remaining five rules are basically singular in nature. Nonetheless, consolidation of these 13 rules is feasible and the results are shown in Figures 5.11 and 5.12.

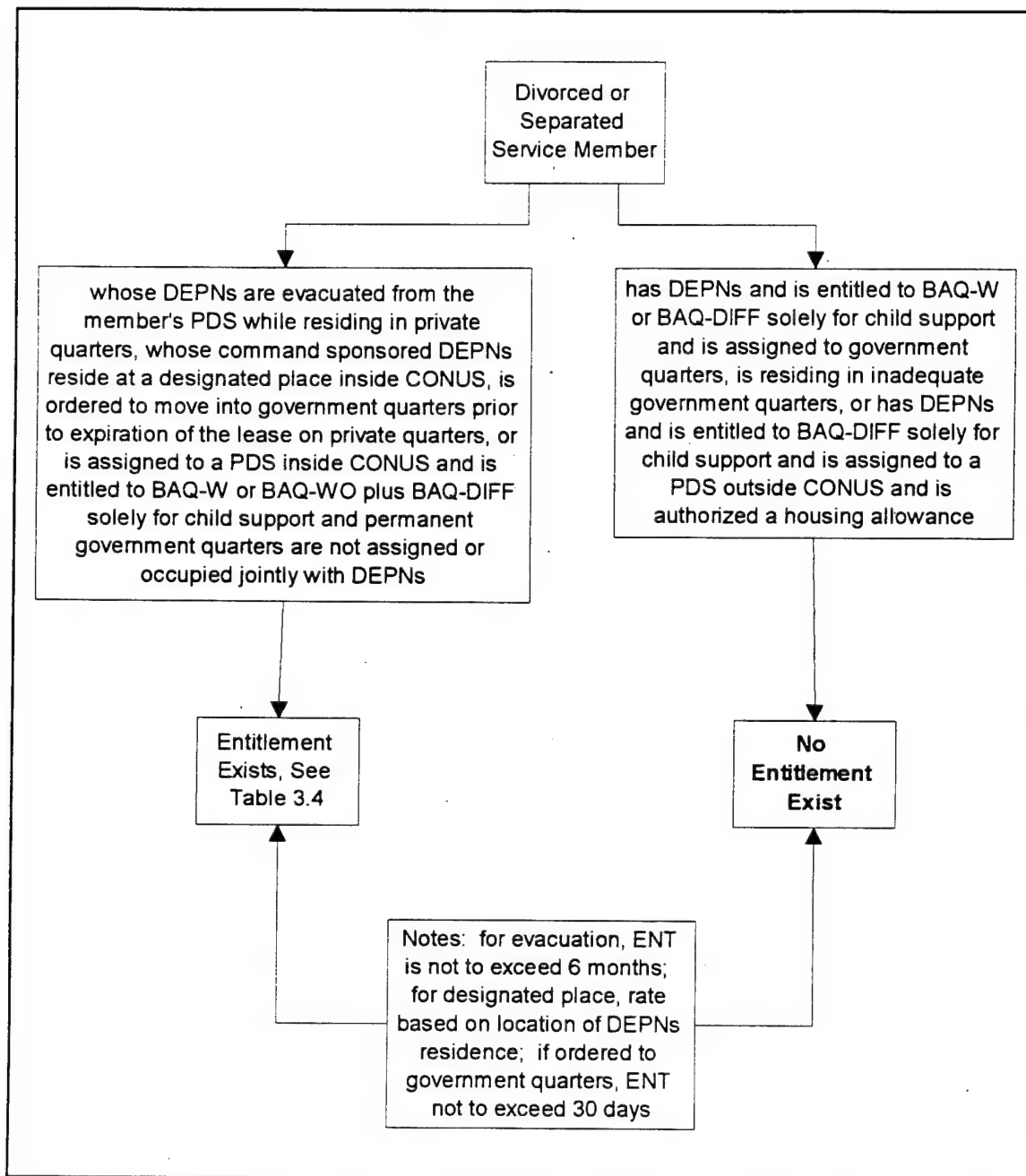


Figure 5.11. VHA Divorced or Separated.

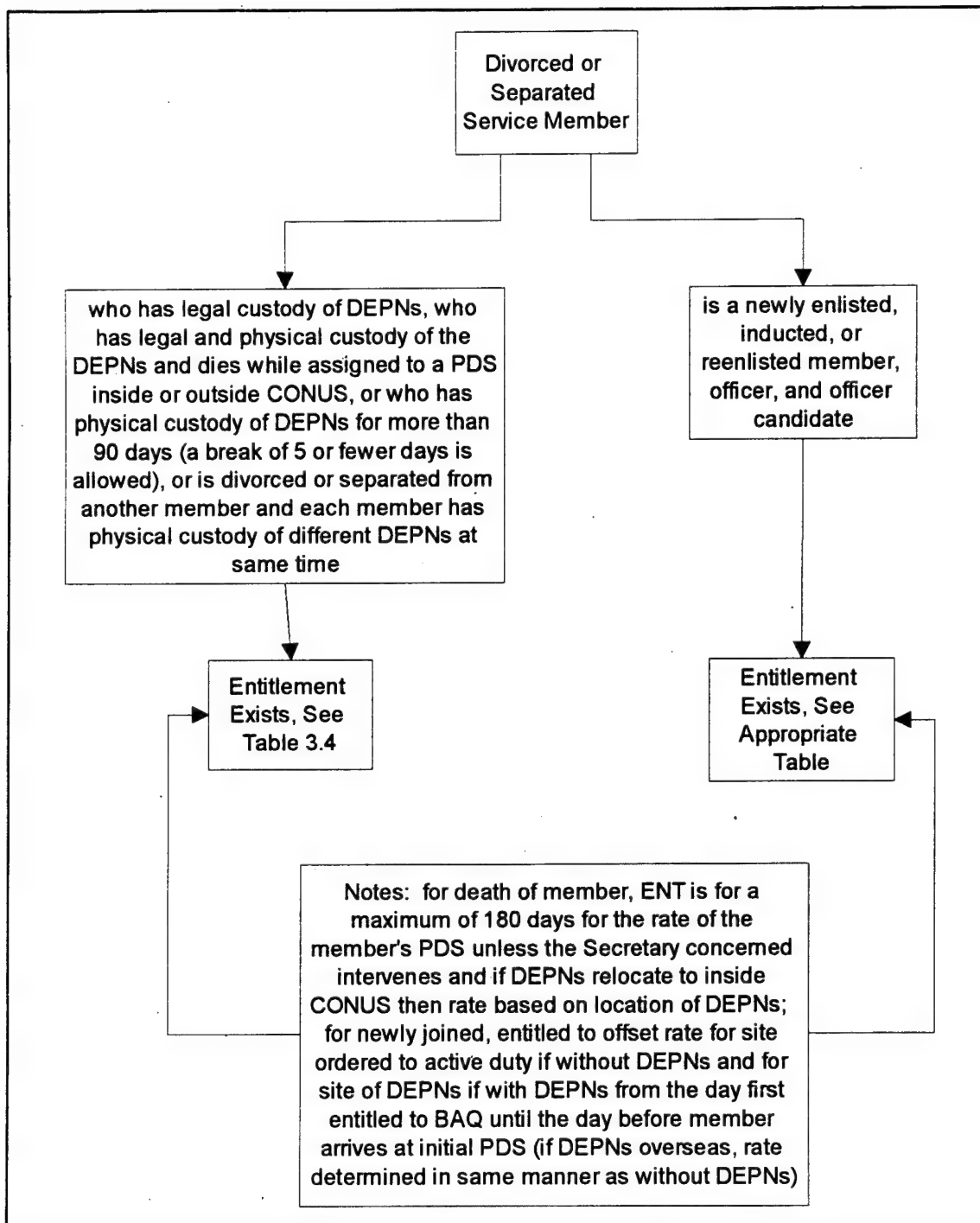


Figure 5.12. VHA Divorced or Separated

### C. OHA

OHA is payable to service members on active duty who are stationed outside CONUS and live in privately leased or owned quarters. These are conditions for all 17 rules in the determination processes for payment of any rate of OHA listed in Tables 4.1 through 4.4. There are only three rules in the determination process for payment of OHA-WO to SSMs. The three rules can be consolidated into one. The new rule for the streamlined determination process for payment of OHA-WO is displayed in Figure 5.13.

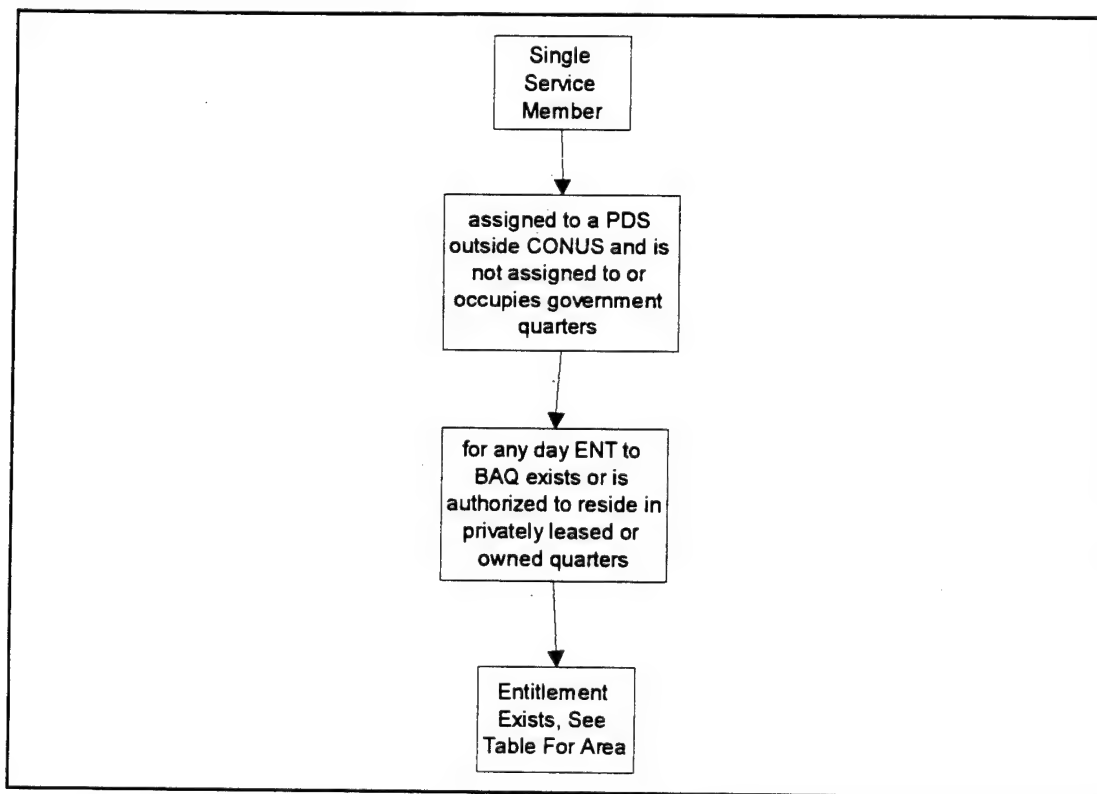


Figure 5.13. OHA Single.

The determination process for MSMs has the most rules, nine, of any status category within OHA. Six lead to payment and three lead to no payment. The three rules that lead to

no payment can be consolidated into one and the other six rules can be consolidated into one. Figure 5.14 shows the result of streamlining the nine rules into two rules in the determination process for payment of OHA-W.

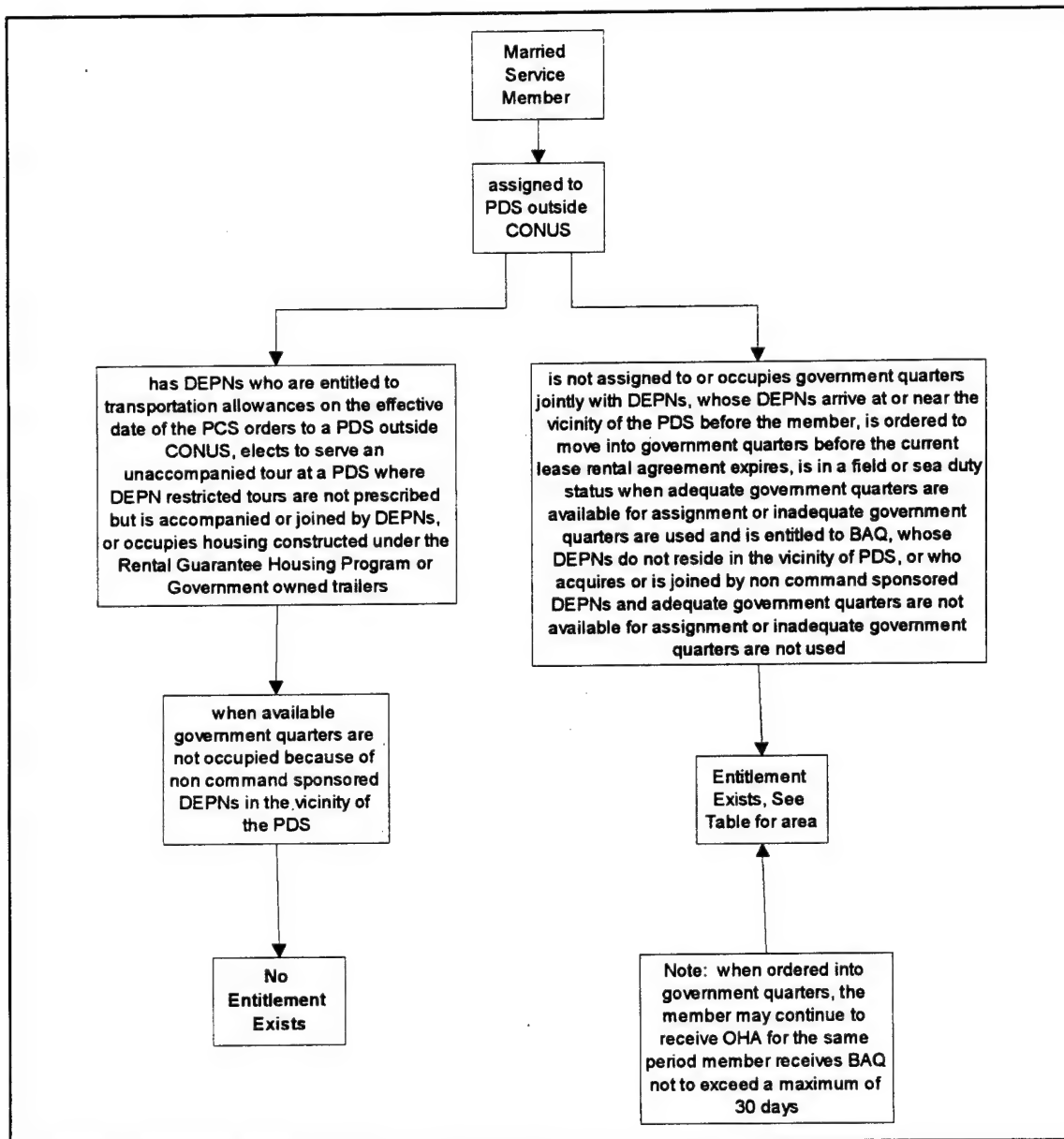


Figure 5.14. OHA Married.

Lastly, DSSMs may receive payment of either OHA-WO or OHA-W. There are five rules in the determination process, in which three lead to payment and two lead to no payment. The five rules can be consolidated into two. Figure 5.15 illustrates the determination process for payment of OHA-WO or OHA-W to DSSMs streamlined into two rules.

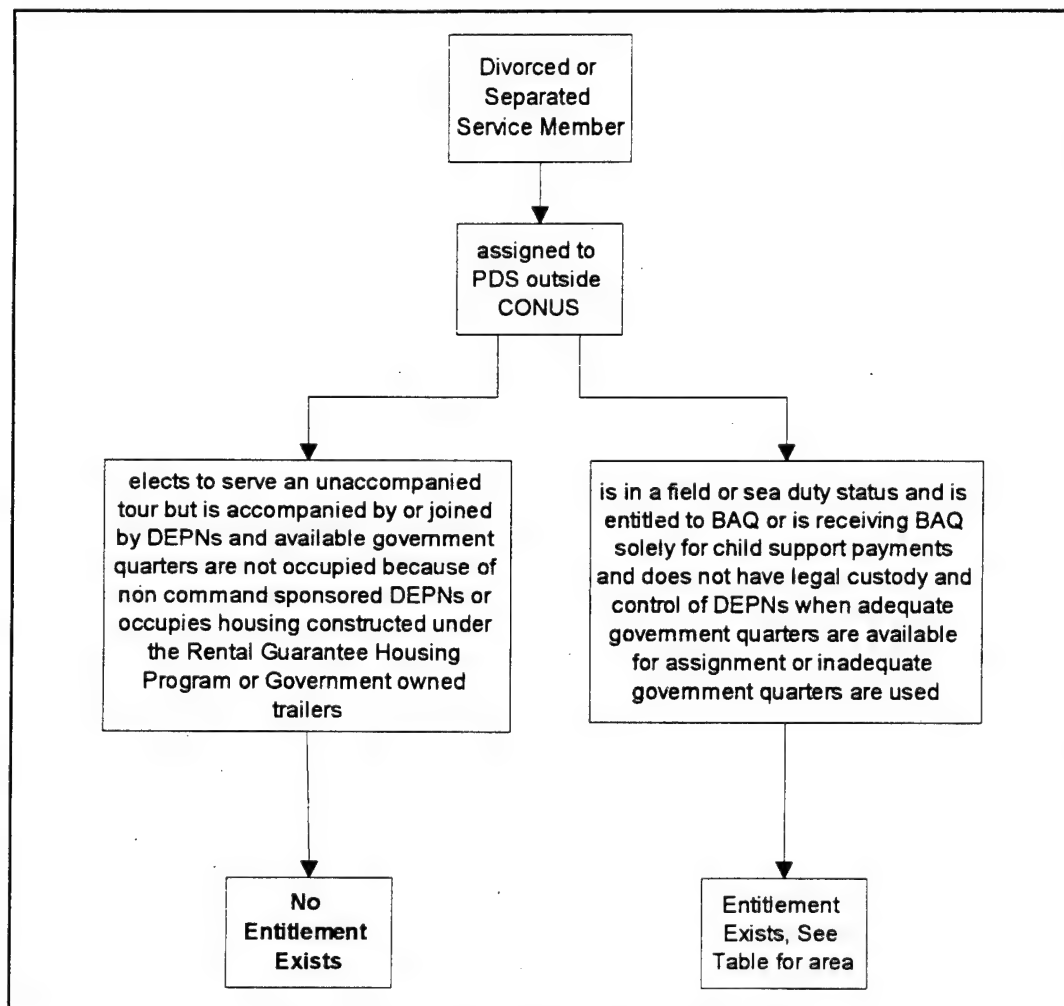


Figure 5.15. OHA Divorced or Separated.

## **VI. COMBINED ENTITLEMENT REVIEW**

This chapter examines the feasibility of combining the amounts payable to military members from the three entitlements into one entitlement based only on service members' status category. BAQ is the basis for payment of VHA and OHA; so, the examination will be conducted by exploring the outcomes of two possibilities explained in the following paragraphs.

The first possibility is to combine the tables from all three entitlements into one set of tables, without making any changes to the present payment rates for service members. For an example using the single status category, Tables 2.1, 2.2, 3.1, 3.3, 4.1, and 4.2 would be combined into one table, but none of the contents in any table would be altered. The same would apply to the tables for the other status categories as well. The outcome is one set of tables for all three entitlements that does not change the payment amounts received by service members who are otherwise entitled; but, there is no significant benefit from this cosmetic alteration for either the financial managers within the DoD or for the service members. In fact, this outcome may be counter productive to the goal of simplicity.

The second possibility is to consolidate the 321 designated high costs areas for VHA and 70 countries and/or territories for OHA before combining them with the BAQ rates. For example, the state of California has 26 designated high cost areas within its borders. That means there are 26 different maximum VHA rates payable to a service member who resides in nongovernment housing in the state of California. If there was one VHA rate in California and in every other state in the United States plus in Alaska, Hawaii, and the District of Columbia for each pay grade, then the 321 designated high cost areas would be consolidated to 51. The same concept can be applied to OHA. The result would be a consolidation from



the many different OHA rates within each country and/or territory to just one OHA rate for all cities and provinces within Japan and the other 69 countries and/or territories.

The problem here is that the range of the current maximum rates for VHA or maximum rental ceilings for OHA for a designated high cost area or overseas country and/or territory is quite wide. As an example, using the maximum VHA rates payable to enlisted single service members (SSMs) in the pay grade E-3 who reside in nongovernment housing in San Francisco and in Barstow, California, respectively, the JFTR [Ref. 3] lists the rates as \$268.94 and \$64.63. That yields a range of approximately \$204.00. Now for an example of OHA, Appendix K of the JFTR [Ref. 3] is used, as well as the same pay grade, and the amount of OHA that would be payable will be computed for two cities in Japan (effective 16 April 1995). If the E-3 SSMs were residing in nongovernment housing in Okinawa, the OHA rate payable would be \$1,000.40 (computed by using a rental ceiling of \$967.50 and a U/RMA of \$287.00) and the OHA rate would be \$6,100.70 (computed by using a rental ceiling of \$6,067.80 and a U/RMA of \$287.00) in Tokyo. This yields a range of approximately \$5,100.00. The same type of computations would be used to find the ranges for the married status category as well. The ranges for both single and married service members would apply for divorced or separated members (DSSMs), because DSSMs are entitled to the payment amounts for either of the other two status categories (i.e., BAQ, OHA, and VHA at the with-dependents or the without-dependents rates).

Whatever the single rate would be for each state or overseas country and/or territory, it should be equitable to both the DoD (which could bear a considerable additional financial burden from a single rate that is higher than the current rate service members are receiving) and the service members (who could bear a considerable additional financial burden from a single rate that is lower than the current rate they are receiving). And that appears to be impossible, unless the current pay rates are considered inequitable. To illustrate this point,

if VHA were a single rate of \$200.00 for E-3 SSMs in California, the SSMs residing in San Francisco would lose \$68.94 in entitlement while the SSMs residing in Barstow would gain \$135.37 in entitlement. For OHA, with a single rental ceiling of \$3,000.00, the SSMs residing in Okinawa would gain \$2,032.50 in entitlement while the SSMs residing in Tokyo would lose \$3,067.80 in entitlement. Combining these single rates for each pay grade with the rates of BAQ for each pay grade would, again, produce one table from two (i.e., combine Table 2.1 with the single rates for the states plus Alaska, Hawaii, and the District of Columbia and again with the single rates for the overseas countries and/or territories). However, no single rate would be equitable to all concerned.

Next, the issue of payment of BAQ-P needs to be addressed. Currently, BAQ-P ranges from approximately 7 percent of the BAQ-WO rate for flag officer SSMs (O-7 and above) to approximately 4 percent of the BAQ-WO rate for the very junior enlisted SSMs (E-3 and below). So, one possibility is to discontinue the payment of BAQ-P as insignificant. That means service members assigned to single type government quarters (STGQ) (i.e., barracks) would be paid no entitlement. This results in a cost savings for the DoD and in a monetary loss for the service members who would have been entitled otherwise. It would also be less cumbersome than the present process. Another possibility is to continue with the present system. So, Table 2.2 (see Chapter II) would remain in the payment process and there would be neither a DoD cost savings or a monetary loss for the service members assigned to STGQ.

Lastly, there is a unique problem with the status category of DSSMs that must be addressed. That is the payment of BAQ-DIFF. Recall that BAQ-DIFF is paid to those DSSMs who are authorized to receive BAQ solely by reason of payment of child support and the requirement is documented after 5 December 1991. In some cases, DSSMs may be entitled to BAQ-WO and BAQ-DIFF, BAQ-WO, BAQ-DIFF, and VHA-WO, or BAQ-WO,

BAQ-DIFF, and OHA-WO. One solution would be to simply discontinue the payment of BAQ-DIFF in this case. It would result in a cost savings for the DoD and in a monetary loss for the service members who would have been entitled otherwise. Also, it would be easier to administer than the present process. The alternative solution is for service members to receive the entitlement. So, Table 2.4 (see Chapter II) would remain in the payment process. The DoD does not realize any cost savings and the DSSMs who are entitled otherwise do not suffer a monetary loss from its elimination. This is more equitable; although, it would require the inclusion of additional tables to fit the scenarios mentioned earlier in this paragraph, which is counter productive to simplicity.

## VII. SUMMARY

The first four chapters are informational in nature. Chapter I discusses the basis for this thesis. It provides a brief scenario that emphasizes a need for this research, a short background on the references used for this research, and a compact set of definitions for the DoD unique terminology presented in this research. Chapters II through IV, respectively, illustrate through the use of flow charts the complex, cumbersome, and numerous rules involved in the determination processes for entitlement to the three housing allowances, BAQ, VHA, and OHA, for the three status categories of service members, single, married, and divorced or separated.

In Chapter V, an attempt was made to streamline the determination processes for each entitlement by consolidating the rules involved in the processes. The attempt was successful in that the 129 rules in the determination processes for the payment of the three housing allowances were consolidated into just 39 rules. For BAQ, the 74 rules in the determination process were consolidated to 19. For VHA, the 38 rules in the determination process were consolidated to 15. Finally, for OHA, the 17 rules were consolidated to five. Just as important as the nearly 70 percent consolidation in the rules are the facts that the streamlining process does not alter the intent of any rule for the three entitlements as currently prescribed in the references and does not change the payment amounts of the three entitlements as it currently exists. Therefore, the streamlined determination processes are easier, less cumbersome, and speedier than the present processes and should be adopted for use by the DoD for financial managers tasked with the responsibility of determining service members' entitlement to BAQ, VHA, and OHA.

Chapter VI explores the possibilities of combining the amounts payable to service members from the three entitlements into one entitlement based solely on the members' status

category of single, married, and divorced or separated. It contains two possibilities for this purpose.

The first possibility proposes to combine the tables from all three entitlements into one set of tables, without making any changes to the present payment rates for service members. The result would be a cosmetic alteration that provides no significant benefit to the DoD in terms of cost reduction or system simplicity.

In the second possibility, the VHA and OHA rates are consolidated prior to being combined with the BAQ rates. A single rate (instead of the current structure of variable rates) for payment of both VHA and OHA is considered and the financial impact of this mass consolidation by state, country and/or territory, respectively, for VHA and OHA is illustrated. This possibility produces one entitlement; but, unless the present pay rates are considered inequitable, it would be nearly impossible to develop a single pay rate system that would be equitable to both the DoD and the service members.

Also, Chapter VI makes suggestions about the payment of BAQ-P and BAQ-DIFF. It gives options of either continuing with the present system of payments or discontinuing the payment of these entitlements. If the continuing option is selected, the payment process is not simplified, the DoD realizes no cost savings, and the service members suffer no monetary loss. On the other hand, selection of the discontinuing option results in a much easier payment process, in cost savings for the DoD, and in a small monetary loss for the service members. In this period of shrinking staffing levels and dwindling dollars, the latter option should be considered.

Finally, there is a consideration that would equally enhance the current systems and the proposed systems. This consideration is computer automation of both the determination

processes for entitlement to military allowances and the processes for payment of military allowances. Joint research on this consideration by information systems and financial management personnel is enthusiastically recommended.



## LIST OF REFERENCES

1. Department of Defense Instruction 7000.14, "Department of Defense Financial Management Policy and Procedures." Department of Defense, November, 1992.
2. Department of Defense Instruction 7000.14-R, "Department of Defense Financial Management Regulations," volume 7, Comptroller, Department of Defense, May 1993.
3. The Joint Federal Travel Regulations (Uniformed Service Members), volume 1, The Per Diem, Travel and Transportation Allowance Committee, Department of Defense, April 1994.





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